

HOME NEWS

Ulster council scheme put strain on 'loyalist' coalition

From Christopher Walker
Belfast

Moves will be made this week to have the policy of immediate administrative devolution in the form of a county council-type administration adopted as the programme of the Official Unionists, Northern Ireland's largest single political grouping.

The scheme, first outlined last December by Mr James Moloney, leader of the United Ulster Unionist MPs at Westminster, has represented the one serious possibility of achieving some political movement since the Convention collapsed.

The plan will be discussed at a special meeting of the party executive in Belfast on Friday. Political commentators believe there is a strong chance that it will be adopted, as it is supported by many influential members, including the Rev Martin Smyth, leader of the Orange Order.

It would involve the immediate establishment of a council at Stormont to handle exclusively administrative matters. It would function through a committee system. Supposedly, the 'loyalist' side sees it as leading in the long term towards a fully devolved local administration with legislative as well as administrative powers. If the official Unionists adopt

the scheme as policy, it could have serious repercussions for the three-year-old loyalist coalition.

The other constituent parties, the United Ulster Unionist Movement, led by Mr Ernest Baird, and the Democratic Unionists, led by the Rev Ian Paisley, have rejected the plan.

Their regard is as a watering down of their repeated demands for a return to majority government of the type abolished in 1972 and see it as a way of allowing power-sharing by the back door.

The administrative devolution alternative is certain to feature prominently at talks scheduled to take place this week at Stormont between the Official Unionists and Mr Mason, Secretary of State for Northern Ireland.

He will have separate talks with the mainly Roman Catholic Social Democratic and Labour Party. Most of its leaders have reacted unfavourably to the plan.

Last night, detectives were trying to identify the bodies of two men found yesterday in the back seat of a car parked near a social club organized by the Ulster Defence Association in the Shankill Road, district of Belfast. It is believed that the victims, whose bodies were badly charred, had been murdered and that the fire was an attempt to cover up evidence.

Tory idea for 'interim political forum'

By David Leigh
Political Staff

Conservative proposals for a way forward from the political impasse in Northern Ireland were aired vaguely in London on Saturday by Mr Airey Neave, Tory spokesman on Ulster.

Ministers are responding rapidly to the idea of an "interim political forum". The Moloney plan for a county council-type administration is also meeting a subdued response.

Mr Neave produced some criticisms of details of the British handling of the continuing violence and destruction in Northern Ireland when he addressed a Conservative conference in London.

But he denied that Conservatives were seeking a military solution to the conflict. Last week he called for severe measures, including greater deployment of the Special Air Service Regiment, to bring about a year of victory over terrorism.

He repeated that in greater detail at the weekend, comprising that known IRA leaders

were not being arrested and that western newspapers were too "impartial" between terrorism and democracy.

But he emphasized that "democratic politics" had to be kept alive in Northern Ireland if paramilitarist leaders and bully-boys were not to get stronger, setting back political progress for decades.

"That is why the Conservative Party are considering plans for an interim political forum for Northern Ireland which we will discuss with the various political parties in the province."

What some Conservatives are keen to see is a Council of State in Northern Ireland, made up of various politicians and representatives of interest groups. It would not be elected, but nominated by an independent person, and would consider Northern Ireland secondary legislation.

Such a council would be a strictly interim affair, unconnected with any moves to administrative devolution. It would be designed to improve the widely admitted under-government of Northern Ireland, as well as to nurture local politicians.

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MP worried by drug-takers on US submarines

The Scottish National Party, whose policy is to rid Scotland of nuclear bases, said yesterday that it was worried by the disclosure that one of the United States Polaris missile-carrying submarines from the Holy Loch had drug-takers among its crew.

The concern was expressed by Mr Iain MacCormick, MP for Argyll. Holy Loch is in his constituency.

Nine members of the crew of the nuclear submarine USS Casimir Pulaski, one of the Lafayette class of ballistic-missile-carrying submarines, have told their officers that they were "on pot". They are being sent back to the United States for medical treatment.

Mr MacCormick said yesterday that he would ask the United States naval authorities to make a thorough inquiry.

Commander Gene West of the US Navy Headquarters, Europe, said that the nine men had been on soft drugs, mainly marijuana. They were in non-specialist jobs, with no possibility of access to the controls, the missiles, or the reactor.

Regional report

The weekly "Regional report" will in future be published on Tuesdays, beginning tomorrow.

Union 'abuse of power' seen as threat to freedom

Post Office Workers' Union to tell you that you cannot write to your daughter in South Africa? Thank heaven for her Majesty's judges, who dared to stand up for liberty", he said.

The closed shop imposed on millions the choice of the highwayman. Instead of "your money or your life", it was now "your job or your freedom".

He called for an intellectual counter-attack by the Conservative party to rid the country of that mishmash of neo-Marxist ideals. Keynesian economics and Fabian self-righteousness that has dominated and shamed British politics since the Second World War".

Royal Court crisis talks

By a Staff Reporter

The board of the Royal Court Theatre, in London, is to meet today to discuss "the future of the artistic direction of the company".

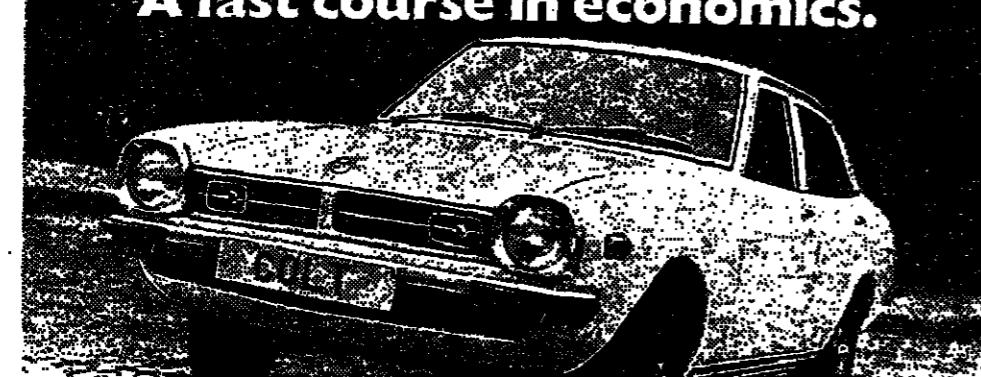
Notice was short and the meeting is unlikely to be well attended. Discussion will be dominated by the theatre's financial crisis and the Arts Council's warning that it is not prepared to increase subsidies unless satisfied that something

is being done to improve the Royal Court's trading balance while retaining its artistic integrity.

That has raised the possibility of closure and led to the resignation of Mr Robert Kidd, one of the company's two artistic directors. The board, which includes Mr John Osborne, is expected to confirm the appointment of Mr Stuart Burge to replace Mr Kidd.

Leading article, page 13

A fast course in economics.



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Prosecuting Mr Powell 'might make matters worse'

By a Staff Reporter

The repercussions of Mr Enoch Powell's latest remarks about immigration will be serious for the three-year-old loyalist coalition.

The other constituent parties, the United Ulster Unionist Movement, led by Mr Ernest Baird, and the Democratic Unionists, led by the Rev Ian Paisley, have rejected the plan.

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Anti-blood sport demonstrators were being sought by police yesterday after they desecrated the grave of John Peel. During the night they smashed a four-foot high headstone and threw a studded staff at Peel's head into the grave at Caldbeck, Cumbria.

A note was left in the grave saying: "John Peel go blow your horn until your face turns blue." The demonstrators said in a telephone call to the Press Association that they had thrown Peel's remains into a cesspit, but police said the bones had not been touched.

The caller said: "Something has got to be done to help foxes today, and this man killed hundreds of them".

Peel, a farmer, who was born in Caldbeck in 1776, was buried in St Kentigern's churchyard in 1854. He was immortalized in the song "Dye ken John Peel?" which was written by a friend, John Woodcock Graves, the night before his death.

The purpose of declaring a housing action area is to ensure that all property within its boundaries is brought up to a minimum standard which will guarantee a further life of at least 30 years. Once it has been approved by the Department of the Environment, the local authority can require every owner to carry out specific repairs and improvements within five years. Should an owner refuse, the authority may purchase his house and carry out the work itself.

The incident brought many protests, including some from anti-blood sports campaigners who dissociated themselves from the affair.

The League Against Cruel Sports said it dissociated itself from "this act of vandalism".

The Hunt Saboteurs' Association said: "Although we as an association cannot condone such action, we consider the euthanasia of fox killer Peel's body to be no worse than the seasonal digging out and killing of thousands of exhausted foxes after they have reached the sanctuary of their earth."

Peel's great-great grandson, Mr John Peel, aged 75, said: "It is wanton damage, they should bring back the birch."

Mr Raymond Brooks-Ward, of the British Field Sports Society, said: "Our reaction to this is one of revulsion".

The rector of St Kentigern's, the Rev Colin Reid, said the grave, which is often visited by tourists, would be restored.

All work costing up to £3,200 qualifies for a 75 per cent grant, or 90 per cent in the case of pensioners. But the balance must be met by the owners who, in such areas, are particularly poor.

Moreover, no grants are payable on houses with a ratable value of more than £300 in London or £175 elsewhere except when the building is being converted into self-contained flats, in which case the respective limits are doubled.

At first glance those limitations might seem arbitrary and even perverse. But the Government's intention was that the programme should concentrate on the worst housing and encourage people living in larger houses than they needed to divide them into flats.

What was evidently overlooked, however, was the fact that many inner-city areas consist of large Victorian houses, which were built for the middle classes and have since "gone down hill" but are still relatively highly rated.

He hoped that Britain would return to full employment and that a system could be introduced where all people who wanted to work after normal retirement age could do so. Not enough effort was being made to sell the merits of the older worker.

If we are ever going to have changes in the development of work opportunities for older people we are going to have to get rid of discrimination. If we want to change their employment prospects as regards recruitment and promotion I have a feeling that we will have to introduce an age discrimination Act," he said.

Professor Fogarty, aged 60, has changed employers three times in the last 10 years. He said mid-career counselling should be a first priority in helping the eleven million people in Britain aged between 45 and retirement. They had to be prepared on how to use effectively the second part of their lives.

One of the things that will have to come in the future is flexible retirement. A rather impressive amount of people would like to go on working at least part-time after the compulsory retirement age," Professor Fogarty estimated that between 30 and 40 per cent of people retiring at the statutory age were in that category.

The working party is composed of members of the institute, representatives of two government bodies, the Employment Service Agency and the Training Services Agency, and representatives of organizations of blind people. It will be headed by Mr E. J. Venn, deputy director-general of the institute.

No one is estimating how much longer the hearings could last. It might well be several weeks.

Even when the hearings have ended and the examiners have made their findings, their report will have to go to the House of Lords before it is decided whether the examiners still did not really know what was the case being put by the memorials (those claiming that the Bill could be hybrid).

Last Thursday, the tenth day of the proceedings, Mr Bailey ended his cross-examination of Mr McDonald, who appears to have established a record for time spent as a witness in such an examination.

Mr Gamon is now making further submissions for the Government, but later today the two other memorials, along with Mr Bailey, will start to put their cases. Mr Bailey's submissions are unlikely to be brief.

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Pakistan leader takes hit for sudden call by Mrs Gandhi

Correspondent
Jan 23
In his election campaign, Mr Bhutto, the Prime Minister, said make Pakistan the he sub-continent. It is to hold general elections on March which had Mrs Gandhi to order. He declared.

Alpind's coldest day he pointed out to others of his ruling party that the Prime Minister had spoken elections for. It was evidently a decision which had changed her mind from a high rooster said he knew better by the people. The return to power had already been given to its government in its

record, he said that first five-year term meeting the pressing from the fall of had to check inter- conspiracies against it, put down insur- Baluchistan, and several other politi- economic crises.

Now he was con- stant would be able to terms on what he's several other prob- lems sub-continent. play-world attack on in National Alliance of nine opposition fitting the People's a single platform— dismissed them as of foreigners, the capitalists and the opponents. The predicted, would be returned to

freedom members of the assembly and 450 of four provincial will be elected on March 10 respectively. papers were our 1,200 candidates in Assembly and 2,000 candidates in West Frontier province and parts of Punjab.

Mr Bhutto's party, which swept the polls in West Pakistan six years ago on a slogan of socialism, is expected to pursue the same course. As its leaders claim, the party has now tangible results of its economic and social policies to place before the people.

In the field of land and labour reforms, it is generally agreed the Government has achieved substantial success and it is difficult to believe any other party could have done better. The return on farm produce today is far greater than before, which for a country where 85 per cent of the population live off the earth, is more than satisfying. And workers' earnings are three times what they could have hoped for a couple of years ago.

Leading article, page 13

Owners of science

From Our Correspondent
Athens, Jan 23

A new round of talks between Greece and Turkey, due to begin this week, may lead to a resumption of international air traffic over the Aegean Sea. It will be the main topic at the meeting between Mr Demetrios Botsios, the Greek Foreign Minister, and his Turkish opposite number, Mr Ismail Sabri Cagkyangil, in Strasbourg next Saturday. The Aegean region was closed to international flights by Greece when, after the Cyprus invasion of 1974, Turkey invoked security reasons for demanding early advance notification of east-bound flights. The demand was made despite the fact that Athens was responsible for air traffic control in the area.

Negotiations between the two countries have led to a preliminary agreement for mutual notification of military flights

Indians told choice is democracy or fascism

From Our Correspondent
Delhi, Jan 23

Rushed by Mrs Gandhi's decision to hold a general election, four opposition parties which have joined hands today named Mr Morarji Desai, aged 80, her former Deputy Prime Minister, as chairman of their newly-formed Janata Party.

The main issues of the Opposition are likely to take up will be Mr Bhutto's land reforms, the nationalization of industrial units and restrictions on civil liberties, the judiciary and the press.

In a rare demonstration of unity, nine principal opposition parties—generally classed as rightist—have agreed to fight the elections jointly under the same symbol. The nine parties are Tehrik-i-Intekhab, Jamaat Islami, the Pakistan Muslim League, the National Democratic Party, Jamaatul Ulema Islam, the Pakistan Democratic Party, Jamaatul Ulema Pakistan, Khaksar, and the Muslim Conference.

Besides the alliance, there will also be a number of other political parties and groups largely obscurantist, involving religious or factional sentiments. Khan Abdul Qayyum Khan, one of the surviving old guard of the pre-independence Muslim League, who was thrown out of government by Mr Bhutto recently, is going to lead his party into battle in North-West Frontier province and parts of Punjab.

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New round of talks may lead to Aegean air pact

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Junta supporters clash with police in Athens

From Our Correspondent
Athens, Jan 23

Strong police forces were deployed in central Athens today to prevent attempts by right-wing extremists to demonstrate after a memorial service held in Athens cathedral for Evangelos Malios, the junta security police officer cashiered for torturing prisoners and murdered by unknown assailants last month.

About 100 defiant demonstrators chanting slogans in favour of the fallen dictator scuttled with riot police, and 14 were arrested briefly.

The left-wing extremists, headed in a group with a group of left-wingers led by Mr Mikis Theodorakis, the composer, but there were no clashes and they marched away chanting "the Army will give the solution" "Malios is still alive" and distributing leaflets with an ode dedicated to their dead hero.

The murder of Malios and the serious incidents caused by extremists at his funeral, have caused tension between the police and the Government. The right-wing blames the murder on the Government's tolerance of communist activists.

There had been fears that the Government no longer commanded the full loyalty of the police and, in this sense, today's confrontation was a test case. Any sign of negligence or reluctance to deal with right-wing demonstrators would have encouraged the Government to give in to Opposition pressures for a drastic purge of the force.

In brief

Deadly poison lost at sea

Kobe, Japan, Jan 23—Enough highly toxic arsenic acid to kill more than eight million people is believed to have fallen into the sea from a Chinese freighter after a collision at the entrance of Osaka Bay on January 15.

Port officials say it will be impossible to recover the sunken cans because the sea is too deep.

Witchcraft arrests

Johannesburg, Jan 23—South African police are holding 155 Africans after the burning alive of 14 people suspected of witchcraft in the homeland of Lebowa.

Citizenship renounced

Moscow, Jan 23—About 400 ethnic Germans have renounced their Soviet citizenship and applied to emigrate to West Germany.

Czechs condemned

Moscow, Jan 23—*Pravda* has condemned the Czechoslovak human rights manifesto "charta 77" as an "ideological diversion" produced by a "handful of renegades".

Drugs ring broken

Hongkong, Jan 23—A \$176m international drugs ring, run almost exclusively by residents here has been broken by the narcotics bureau.

third in contest

Zee Holland, Jan 23—The Soviet economy fell short of a number of key goals last year, growing in some areas at the slowest rate for 25 years.

Productivity, crucial to Moscow's drive for more efficiency, rose by only 3.3 per cent, the smallest increase since 1951. Industrial output went up by 4.8 per cent, exceeding the

planned figure, but still the lowest rise in post war years.

Agricultural output rose by 4 per cent, helped by a record grain harvest of 224 million tonnes.

Oil production increased by 30 million tonnes to \$20 billion. Steel production, at 145 million tonnes, and coal output, at 712 million tonnes, fell below their 1976 goals.—AP

Soviet economy falls short of several key targets

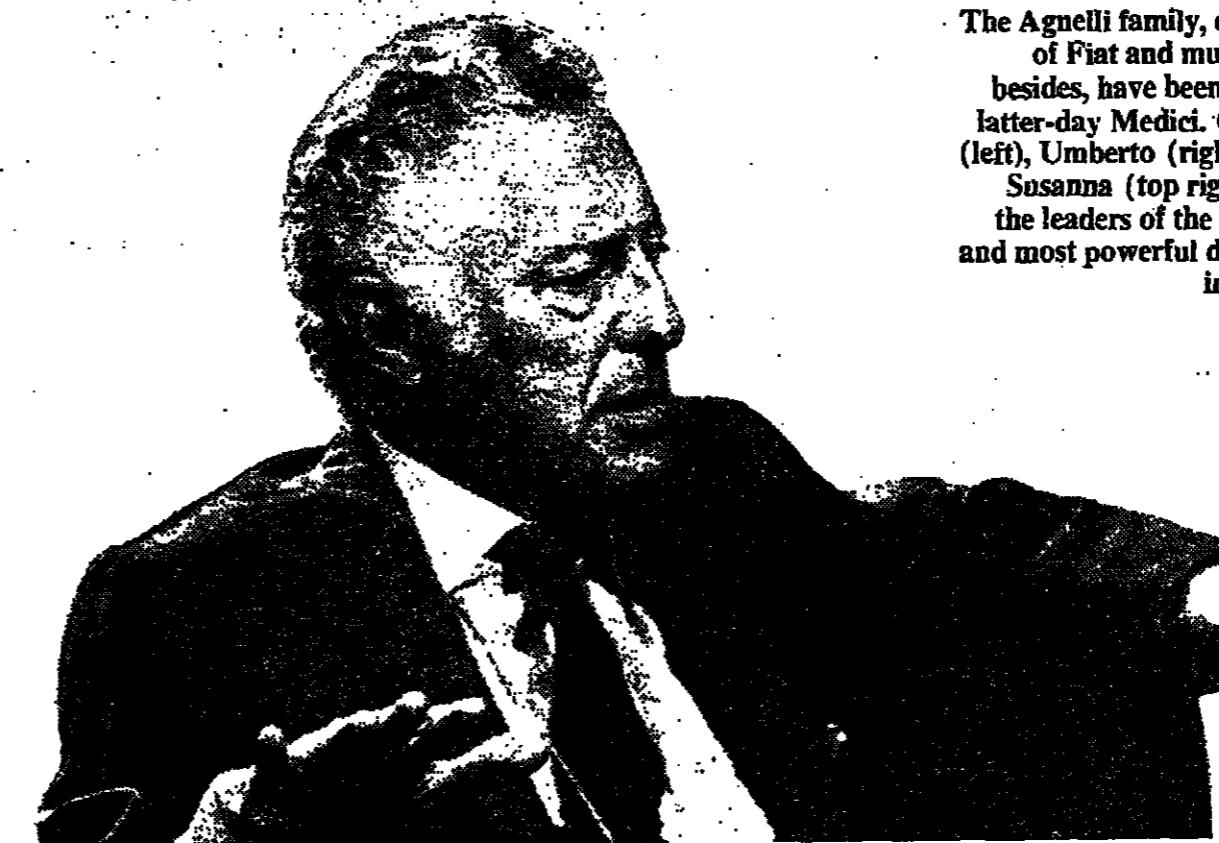
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A Times Profile

The power of Italy's 'royal family'

The Agnelli family, owners of Fiat and much else besides, have been called latter-day Medici. Gianni (left), Umberto (right) and Susanna (top right) are the leaders of the richest and most powerful dynasty in Italy.



If, when you are in Italy, you buy *La Stampa*, the Turin daily paper or the Banca paperback of *Jean's* as holiday reading—if you drink a glass of Cinzano or go shopping at Rinascente or Upim; if you drive your car along the motorway to Milan or set your Borlotti alarm clock; if you cement your garage bay or a school book published by Fratelli Fabbrini, or attend a football match at Juventus, are playing—if you do any of those things, you are directly boosting the private fortunes of the best known and richest dynasty in Italy: the Agnelli family. The popular newspapers are not alone in referring to them as latter-day Medici and Sforza, a "royal family in muti", the natural successors to the last Princes of Savoy.

The Agnelli fortune and fame started in 1899 when a cavalry officer from the Piedmont invented the first Fiat motor car. It has not stopped growing since. Fiat today is Europe's leading producer of cars (1,308,000 sold in 1976), and Italy's largest single private industry, with a yearly turnover of more than \$6 billion, equivalent to two per cent of the country's gross national product. It is hardly surprising that it has conferred on its controlling shareholders something of the aura of gods.

The head of the Agnelli family today is Gianni, president of Fiat, hereditary mayor of the family's home village of Villar Perosa, outside Turin, president of the family holding company IFI, and recent president of the Confindustria, Italy's equivalent of the CBI. A poll carried out not long ago revealed that 99 out of every 100 Italians had heard of the Pope; 100 knew of Gianni. A political cartoon which was much admired last year showed a tall, thin, dark-haired man looking Gianni at the wheel of a tow truck, pulling away a small sports car with its driver still inside—the driver was Aldo Moro, then Prime Minister of Italy.

Last week Gianni Agnelli convened a meeting of his shareholders to explain to them his latest Fiat transaction: the sale of Libia of a contract giving the oil producing country a 9.6 per cent interest in Fiat, and the company \$451m of fresh capital. The reaction inside Italy has been one of stunned admiration. To have made the deal at all is astonishing. To have made it in the current Italian economic difficulties, and in total secrecy, is a personal triumph.

Fiat's founder, Giovanni Agnelli, who set up his first Turin factory five years before Henry Ford opened shop in Detroit, had one son and one daughter. In time-honoured Italian style he split their inheritance unevenly, 51 per cent to the boy, Edoardo, 49 per cent to the daughter, Clara. Edoardo died in a plane crash in 1958; Clara was 14, and the family was largely brought up by the taciturn and idiosyncratic grandfather. By the same process of male-favoured inheritance Gianni now controls a quarter of IFI, which in turn controls a third of Fiat. (Clara's descendants are, of course, rich, but they have no Fiat power.) Gianni has one living brother, Umberto, Christian Democrat Senator and vice-president of Fiat, and four sisters of whom one, Susanna, has achieved prominence as mayor, Republican Deputy, and author of a shrewd and fluent best-selling autobiography *We Always Work, Sailor Suitor*.

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Gianni's other concern when he came to power was to diversify, and bring in a new generation of managers. Fiat has moved into the production of trains and aircraft, tractors, marine engines and lubricating oil, hotels and insurance companies. Car sales account for only 10 per cent of turnover. Fiat has also forged extensive links abroad: it now has 14 plants in South America alone. Fiat's deal with the Libyans has been increased by the Libyans' declaration—they are to have two seats on Fiat's 15-man board of directors—though that concern will extend well beyond Fiat's interests. They have said, for instance, that they intend to have some say in *La Stampa*'s editorial policy (despite *La Stampa*'s loud protestations to the contrary). All might be easier were *La Stampa*'s editor Arigo Levi not Jewish, and had he not had a brush with Colonel Gadafadi a couple of years ago.

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Turin became a company city early on. Valletta—whose paternalism was so absolute that more than 2,000 workers were sacked between 1957 and 1959 for daring to contemplate union activities—invented the Fiat benefit scheme, the Fiat prize, the Fiat nursery school, the Fiat holiday camps, and the Fiat training establishment, and the Fiat housing programme. In the end he even invented the Fiat union, Sida. Locally, Fiat was known, quite simply, as "la Madama".

Gianni idled away the Valletta years in unvaried playboy style, spending as one cynical observer described it, the traditional quarter-century on girls, yachts, houses and Ferraris, on the St Moritz-French Riviera-New York social circuit. He was helped by an annual income assessed at more than a million dollars in the 1950s, by immense personal charm, and she crinkly hair, rather patrician looks (complete with a nose too often compared with that of

and open-minded industrialist was at its peak. There was even talk, before the 1975 elections, of a new political grouping: a centre-left lay party, incorporating Republicans, Liberals and Social Democrats, with Gianni as possible leader. The idea fell through, but for a while there was further rumour that he would stand as a Republican candidate. That, too, collapsed, when Umberto made the surprising decision to stand for a rival party, the Christian Democrats.

Gianni's political fiasco seems to have done him as little harm as his playboy escapades. Friends and enemies who laughed somewhat enviously about the beautiful girls and the enormous yachts, now say of his political flirtations: "If Gianni wouldn't go in for politics, then clearly the state of Italy must be even more rotten than we thought it was." Nor do they, surprisingly, as it seems in a country as fervently nationalist as Italy, appear to resent his blatant internationalism. It all adds to the myth.

Gianni and Umberto were not the only Agnellis to make a bid for political power. Susanna Agnelli, former wife of a Milanese lawyer, Urbano Rattazzi, and mayor for the past two years of the Argentario, a Tuscan peninsula best known for its summer resorts, won a seat as a Republican Deputy in the 1975 elections. Her victory was quickly followed by the Agnelli Foundation, started in 1966 when Gianni himself more interested in world democracy than local survival. True, the Agnellis attend meetings with regional officials, and do not for them off with deputies. But there has been little concrete action.

The mayor and the Turin councillors (a new, communist-dominated group was elected last year) are anxious not to condemn the family, only too conscious of what it does for the economics of the Piedmont. After all, one in every five workers in the region is directly or indirectly employed by Fiat. But they are clearly worried. As one official—who understandably wished to remain anonymous—said to me: "All they have ever done for Turin is own the Juventus football club."

Both brothers are fanatical supporters of their team. Their appearance on the pitch is one of their only excursions into Turin life, totally ignoring, as they do, Turin society, art, entertainment, though both have houses of considerable luxury. (Gianni's well stocked with Picasso and Renoir, Gobelin tapestries and Roman statuary), in favour of Rome's attractions. Gianni's playboy tastes are severely curtailed by business commitments. But they are not quite dead.

There are 73 Agnelli cousins, according to a family tree drawn up by the Fiat public relations officer under the heading of the "Dynasty of the Car". Only the direct descendants have a slice of IFI, whose assets were quoted on the Italian stock exchange last June at more than £130m though the riches—in excess of anything imaginable in this country today—clearly spread and percolate down through the branches.

Nepotism, however, plays no part in the canny and highly professional Fiat management, and of the many Nasi, Camerana and Brandolini relations, only a handful work for the company. Rarely does anyone talk about the future. For one thing, the current leaders are young—Gianni is 53, Umberto is 42. For another, when the time comes, power will be bequeathed to Gianni's only son Edoardo, now 23 and a Princeton (and who in the family tradition will be left to his playboy son Christian, 28 and head of Fiat in Venezuela).

Meanwhile, the exploits of this generation of Agnellis are of enough national interest. Suni's acute and anecdotal book is not a best seller for her name alone: she has an unmistakable talent for autobiography, and a clear eye that can be pleasingly malicious. Nor are Gianni's inherited wealth and power alone responsible for the Libyan deal, the attraction of foreign investment, and the comfortable turnover of Fiat at a time when Italy sinks ever further into financial crisis. The Agnellis appear to exude prosperity, invite confidence. What they touch, business or local politics, suddenly begins to work.

During his playboy days Gianni was a close friend and admirer of President Kennedy. It is perhaps to the Kennedy days, and the Kennedy style, rather than to any European counterpart, that one must look for comparison. Suni, sitting at her mayor's desk in Porto Santo Stefano, said to me: "If you were born an Agnelli, you simply felt that life was due to you." The English is not perfect, but the meaning is clear. In appearance, style and expectation, Agnelli means "power".

Caroline Moorehead
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SPORT

Motor racing

Reutemann battles to lay claims to Ferrari and world leadership

Brazil, Jan 23.—Carlos Reutemann, the 34-year-old Argentine driver, proved his worth to the Ferrari team in a decisive manner by winning the Brazilian Grand Prix at Interlagos today to take the lead in this year's world championship.

After starting from the front row alongside James Hunt, he had set the fastest practice time in his Marlboro McLaren-Ford. Reutemann fought a long and grueling battle with the world champion, taking the lead soon after half distance when Hunt slowed before making a pitstop for replacement front tyres.

Hunt recovered well to take second place, just over 10 seconds behind. In the final laps, he brought his Ferrari through to third place to continue the debate as to whether he or Reutemann should be considered the moral team leader.

Although the heat in Brazil was less intense than it had been a week earlier in Argentina, the tortuous five miles Interlagos circuit, with a surface that was breaking up towards the finish, took its toll, and only seven of the 22 starters were still running at the end.

Fourth place, for the second race running, went to Emerson Fittipaldi. Gunnar Nilsson was fifth in his Lotus-built John Player special, the Italian driver Renzo Zorzi was sixth in his Shadow, and British Formula 1 driver, Peter Neill, all three cars retiring, although none of the drivers was hurt.

The battle for the lead was delayed by an accident, but was able to continue. Later in the race he had crashed into a barrier but was not badly hurt. At this point Reutemann was holding a 12-second advantage over Fittipaldi.

James Hunt, meanwhile, had dropped out of the race with engine trouble, and Brambilla had become another victim of the

guardrails and had also retired.

At the start it was Carlos Pace, who made a great start from the

third row in his Alfa Romeo-engined March Brabham, who took the lead, closely followed by Reutemann and Hunt, then Massi in the second McLaren, and Andretti in his JPS Lotus, which had been repaired after catching fire during the final practice.

The battle at the front was intense, and Hunt and Pace came into contact on one corner, the nose of the Marbello being badly damaged. As Pace gradually slowed before stopping at his pit with a damaged radiator, Hunt, who had moved ahead of Reutemann on the third lap, went into first place with the Argentine's Ferrari. He closed up to Hunt, who had third ahead of Andretti, Regazzoni, Depailler and Laffite, but the race order was suddenly disrupted on lap 12 when Massi slid into a barrier, his McLaren being struck by Hunt's Ferrari. Hunt in turn was hit by Peterson's Tyrrell, all three cars retiring, although none of the drivers was hurt.

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become another victim of the

guardrails and had also retired.

Watson, who also lost control due to the deteriorating track, and Laffite sacrificed their chance of World Championship points when they dropped out late in the race, and Fittipaldi's fine drive also came to an end in the closing laps, leaving Hunt to pick up his first win of the year.

Reutemann's victory on top of his third place in Argentina gives him 13 points, four more than Jody Scheckter, the winner in Buenos Aires, who had to retire with mechanical trouble today, and third place with six points is shared by Hunt, Pace and Fittipaldi.

RESULTS: 1. C. Reutemann (Ferrari), 40 laps, 1.46min 7.75sec, 78.500s. 2. J. Hunt (McLaren-Ford), 39 laps, 1.46min 7.75sec, 78.500s. 3. J. Pace (McLaren-Ford), 39 laps, 1.46min 7.75sec, 78.500s. 4. E. Fittipaldi (Tyrrell), 39 laps, 1.46min 7.75sec, 78.500s. 5. G. Nilsson (Lotus-Ford), 1.46min 7.75sec, 78.500s. 6. R. Zorzi (Shadow-Ford), 1.46min 7.75sec, 78.500s. 7. P. Neill (March-Ford), 1.46min 7.75sec, 78.500s. 8. J. Hunt (McLaren-Ford), 1.46min 7.75sec, 78.500s. 9. C. Pace (McLaren-Ford), 1.46min 7.75sec, 78.500s. 10. A. Andretti (Lotus-Ford), 1.46min 7.75sec, 78.500s. 11. J. Watson (Brabham-Alfa Romeo), 33 laps, 1.46min 7.75sec, 78.500s. 12. J. Hunt (McLaren-Ford), 26 laps, 1.46min 7.75sec, 78.500s. 13. J. Watson (Brabham-Alfa Romeo), 26 laps, 1.46min 7.75sec, 78.500s. 14. C. Pace (McLaren-Ford), 26 laps, 1.46min 7.75sec, 78.500s. 15. A. Andretti (Lotus-Ford), 26 laps, 1.46min 7.75sec, 78.500s. 16. J. Watson (Brabham-Alfa Romeo), 26 laps, 1.46min 7.75sec, 78.500s. 17. J. 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LEGAL NOTICES

THE COMPANIES ACT 1948 In the Matter of The Companies Act, 1948 to 1967 and in the Matter of The Companies Act, 1967 (in Liquidation) Notice is hereby given pursuant to Section 209 of the Companies Act, 1948 and Section 209 of the Companies Act, 1967, that a GENERAL MEETING of the Members of the above-named Company will be held at the Office of W. H. CORBETT & CO. LTD., Accountants of Cuthshall House, Cuthshall Street, London, EC4V 7DQ on Monday the 28th day of February, 1977 at 2.15 p.m. for the purpose of receiving a General Report of the Liquidator and of receiving an account of the Liquidator's Conduct of the Wind-up to date. Dated this 11th day of January, 1977.

R. W. CORBETT,
Liquidator.

EDUCATIONAL
CENTRAIS ELETRICAS DO SUL DO BRASIL S.A.—Eletrosul

Operations System Centre

—230 AND 500 KV TRANSMISSION SYSTEMS—

PRE-QUALIFICATION NOTICE TO MANUFACTURERS OF ANALOG LOAD-FREQUENCY CONTROL SYSTEM AND TONE EQUIPMENT (TELEMETERING AND CONTROL)

Centrais Eleticas do Sul do Brasil S.A.—Eletrosul will invite bids from qualified manufacturers (selected through the pre-qualification to which this notice refers) for the supply of the following groups of equipments—

—Analog Master Station for the Load-Frequency Control System.

—Terminal Stations for Telemetering.

—Terminal Stations for Power Plant Automatic Generation Control.

SECOND GROUP

—Tone Equipments (Telemetering and Control) for Interface of existing Power Line Carrier Equipment.

A loan has recently been approved by the International Bank for Reconstruction and Development (IBRD) to finance the purchase of the above mentioned equipment. Participation in the pre-qualification will be limited to manufacturers from member countries of the IBRD and Switzerland.

The "Instructions for Pre-Qualification Proposals" will be available to the applicants, free of charge, until February 28, 1977, at the following address:—

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EDIFICIO TRAJANUS
RUA TRAJANO, 41—3—ANDAR
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The office building at Herengracht, Amsterdam, acquired by a consortium of British pension funds.

Warehouse demand in Brussels

Turnover in the Continental property market is still fairly steady, according to reports from British agents. Bernard Thorpe and G. De Wandeler SA say that during the past four months there has been an upsurge of inquiries from international companies requiring modern warehouse accommodation in the Brussels area, but the prospective tenants are being far more demanding in their requirements, and are making longer to make decisions.

Among recent transactions through these agents are the disposal of two units on the newly completed 7,800 sq. metre development by SA Deline, a consortium of companies headed by Enterprises Jacques Deline, SA, the general contractors of Brussels, at Zellik, the north-western suburb of the city. Quaker Oats have taken a unit of 3,200 sq. metres, together with 400 sq. metres of office, and Lee Cooper, the manufacturers of jeans, have taken a similar sized unit without offices.

Rents are just over 1,100 BF a sq. metre a year for the warehouse space and 1,350 BF for the offices. Bernard Thorpe and G. De Wandeler, who introduced the site to the developers and advised on the development, are sole letting agents and are selling agents for the investment when the development is fully let. Richard Ellis acted jointly in the two lettings.

Also in Belgium, Distriboch SA, of Brussels, wholesalers of chocolates and biscuits, a subsidiary of Boch SA, have bought the former Belgian headquarters of Spur International on the Nivelles industrial estate, some 20 kilometres south of the capital. The nine-year-old property, which changed hands at about

12.5m BF, consists of 1,300 sq. metres of light industrial space and 350 sq. metres of offices on a site of 2.65 acres. Jones Lang Wootton, who acted for Spur, comment that with the high cost of building today, it is an unusual interest from industrialists in the purchase of premises capable of modernization. Distriboch are planning to extend their new premises.

In Germany, the Singer and Friedlander European Property Trust, a consortium of United Kingdom pension funds, has acquired the office investment on 558-600 Herengracht. The property is in the banking area and is occupied by a leading Dutch bank. It has a total floor area of 2,400 sq. metres. The purchase price was 2.9m DFL. The yield on the investment is about 8% per cent. All costs of the agents, advised, acted in the negotiations, and the Amsterdam office of Richard Ellis were the selling agents.

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The scheme was undertaken by the London Transport Executive. Jones Lang Wootton were cost consultants, and the architect, Grosvenor Square Properties, and the building will be let by Grosvenor Square Properties and let the building jointly with Leighton Goldthill.

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John P Mackintosh

Economic failure, not ideology, is at the root of our political difficulties

There is a paradox about British politics just now which has led people to ask questions about our political machinery and to contemplate various new remedies from coalitions to proportional representation, from primaries to choosing parliamentary candidates to Bills of Rights.

The paradox is that Britain is not searching with ideology yet the two main parties are moving further into the control of the extremists in their own ranks. As one goes around the country, it seems clear that when, as now, the electorate are deeply disturbed by a sense of national failure, they move towards the political centre, they prefer caution, and they suspect all theoretical solutions. While many feel that British industry has let them down, very few accept that total public ownership would be anything but a disaster. If a socialist of this kind stood on such a policy at an election, no one supposes he or she would get more than a handful of votes.

On the other side, the bulk of Conservative supporters no longer think a simple return to private enterprise will solve all problems or that this nation's difficulties stem simply from the wickedness of a Labour Party which has dared to question the inherent right of the upper classes to govern the country.

Yet despite this tendency of voters to huddle together in

the centre, trends within the parties seem to be going in the opposite direction. The Tribune left in the Labour Party now numbers some 80 votes, it controls the national executive and Transport House and, looking at the nominations for re-placements in safe seats at the next election, is likely to get stronger. It is almost certain that the choice of Mr Callaghan's successor will no longer be left to Labour MPs but will be "broadened" to give a greater voice to the unions and to constituency activists.

In the Conservative Party, extreme right-wing populists are gaining ground. Sir Keith Joseph, Mr Biffen, Mr Tedd Taylor, Mr Heseltine and Dr Rhodes Bayson are preferred, while Mr Peter Walker and Mr Nicholas Scott are left outside and Mr Timothy Raison is dismissed. For the first time since the war, Conservatives can be heard saying that the whole experiment indicated by the Beveridge Report was a mistake and should be abandoned.

It is significant and sad that the two most impressive men in the House of Commons, Mr Heath and Mr Jenkins, are both too moderate, too near the centre for their parties, and both have been frozen out. All this suggests that during and after the next election we are to have another bout of adversary politics. The Conservatives if victorious, will repeat the Community Land Act, the National Enterprise

Board, the insistence on comprehensive policies in education, give up an incomes policy and so on. The Labour Party will fight these sooth and nail and promise to take another "irreversible step" towards a full socialist state if and when they return to power.

Given this gap between what the politicians are likely to do and what the public appear to want, it is inevitable that people should wonder whether something has gone wrong with the machinery of representative government. Does the party structure, which leaves nominations (and dismissals) in the hands of tiny groups of activists, produce unrepresentative selections? Does the exclusion of the Opposition from any contact with governmental problems encourage simple, sweeping commitments? Are MPs tied too tightly to manifestos they had no share in devising and then to party voting? Is it sensible to give absolute majorities in the Commons to parties winning under 40 per cent of the votes cast?

Are governments too weak in the face of pressure groups with narrow, selfish interests? While the answers to many of these questions may be in the affirmative and, if some of these reforms were carried through, the public's views might be better represented, it is another matter to suggest that any combination of these institutional inadequacies has caused the present polarization

within the parties. After all, these features of the British political system were in existence during the 1950s when the outcome was very different and the parties were operating quite satisfactorily within margins which led commentators to talk of "Butskellism".

This change in the political atmosphere between the 1950s and 1970s has not taken place in the United States or in Germany. In these countries the recent Carter-Ford election and the Schmidt-Kohl election both showed that major parties could struggle for power while accepting similar assumptions about the structure of the society and the economy.

Having been involved in both the practice and study of politics throughout this period, it seems to me that the fundamental reason for the different development in Britain has been the relative failure of the British economy. The case that Chancellor Schmidt put to the German electorate in 1976 was much the same as that put by Mr Gairnsell in 1955, but in Britain such arguments would sound very dated now. The social democratic case that if the state provides suitable conditions, the mixed economy will prosper and then the extra wealth can be used to make the society more egalitarian, has not worked. Successive Labour governments have tried

boards with little success. It is this economic failure that has undermined and is destroying the position of the social democrats in the Labour Party, although they have far more electoral support than the left.

In any debate, if the question is "How will you get the private sector to respond to your sticks, carrots, incentives, aids and exhortations?" there is no answer. The left is getting stronger because, however, improbably its techniques of far more detailed and widespread state control, at least it has a distinctive, non-Tory institutional changes.

And the same weakness says the moderate Tories. Mr Heath's government, after a rocky start, cut taxes, negotiated an incomes policy with the unions, stopped some forms of welfare payments and then waited for the investment boom. But it never happened and in the end he and his senior colleagues were on very bad terms with industry and were talking about "the unacceptable face of capitalism".

Again, moderate Tories can say little in response to attacks from their own right over the failure of the mixed economy. However improbable the revival of industrial investment and productivity is if a Friedmanite policy of monetarism and of making people pay for their health and education were pursued, at least it is a disinctive, non-left wing answer to the central issue of

the decline in productivity, in investment and in the numbers employed in manufacturing industry.

Many will protest that these failures are the fault of bad labour relations or bad labour laws, of governments chopping and changing their policies and of lack of incentives. No doubt there is something in these points but they are not originating causes: they may have made matters a little worse. But some companies and some countries have done well in the face of tougher unions, higher taxes and major institutional changes.

Probably the answers lie deeper in the structure of British society, in the reluctance to innovate, the preference for a relaxed approach to life, in the tendency for the able to go into academic, administrative and professional work and in the lack of any convincing popular defence of or justification of our current economic system.

If this is so, then however valuable some changes in the political machinery might be, the real task is for all sectors of society to come to some conclusion about the nature of these underlying problems and to decide whether there is a national desire to tackle them. A combination of a few institutional innovations and of making people pay for their health and education

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New Greek course may be the kiss of life for a dead language

Two years ago it looked as if Classical Greek was dying out as a language to be studied in schools. Now there is a ray of hope for those who feel that a study of a dead language and of a civilization long departed has still a great deal of relevance to today's teenagers.

Two years ago yesterday, Dr Michael Ramsey, former Archbishop of Canterbury, and nine other luminaries including the late Richard Crossman, Lord Boyle and Lord Annan, wrote a joint letter to *The Times* and launched an appeal to set up a new Greek course. It was to be run by the Joint Association of Classical Teachers from its base at Hughes Hall, Cambridge.

Sir Desmond Lee, president of Hughes Hall, and his successor-in-chief, was aiming for £40,000 and wanted directly that Greek would go the same way as Hebrew in 15 years unless something was done about it. The project raised £65,000 by 1975 and when it was found that another £20,000 was needed, Sir Desmond managed speedily to raise that.

The director of the Greek project is Dr Peter Jones, a 34-year-old Cambridge don who graduated from Fitzwilliam College. His two assistants, Dr Keith Sidwell and Miss Frances Corrie, are also Cambridge alumni. They have produced a two-year two-hours-a-week course. The first half will be published by the Cambridge University Press in 1978.

The course in draft form has already been tried out at summer schools, secondary schools and sixth-form colleges as well as by university departments in Britain and also by colleges and schools in the United States, Australia and New Zealand.

Time was when to know little Latin and less Greek would have caused a blushing in society. Now it is the other way round. Thorstein Veblen, an American sociologist, fulminated against the classics in 1899. He wrote: "The classics and their literature studied on the Latin course have tripped out on grammar tax."

The new Greek not bludgeoned the aristocrats and did him with the forms of one irregular century Greece. Peloponnesian war, English comments scene; a picture of vessel sailing town completed it. Then plumped in to 17 Greek narrative with only occasion English.

The tide is taken insurance fraud, t of the Sophists moral dilemmas f torn Athens as se the eyes of Aristoc comic poet. This is 800 lines of Demos at the status of the man-in-the-tree.

Dr Jones said: "reflects the Greek was actually explored by so many twenty commentaries. Mr Jeremy Antro master at Godal form college, said: that only 1,215 students a year no comparison with national Greek course, course for adults. It and violence and eve it. It is a much fai of Greek life. It is introduced across it in the Grative rather than pre plate to start with it by heart."

Mr James Nevill teacher at St Albans comprehensive school that the group of studying it were so they stayed on for sessions during school hours and after the to do it. "It is too s the course will a renaissance in the Greek, but it could well the second half course consists of 6 line extracts from Homer, Herodotus, Euripides and Thucydides difficult, only to drop Greek six years later when faced with the composition of Greek hexameters."

Now fewer than 200 schools offer Greek and these are almost all independent schools. The final assault on the future of Greek came with the swift change to comprehensive schools after 1965.

The end of many grammar schools, the changeover in many new comprehensive schools to mixed-gender classes spelt the death-knell for Greek and Latin as an O-level subject.

Ian Bradley

Gladstone's crusade against 'evil' public spending

"An excess in the public expenditure, beyond the legitimate wants of the country, is not only a pecuniary waste, but a great political, and above all, a great moral evil. It is a characteristic of the mischiefs that arise from financial prodigality that they creep onwards with a noiseless and a stealthy step, that they commonly remain unseen and unfelt, until they have reached a magnitude absolutely overwhelming."

At a time when many people feel that public expenditure has got out of control, W. E. Gladstone's observations on the subject have a distinct relevance. They reflect a dedication to the cause of cheap government which it is interesting, perhaps even satiric, to consider at the beginning of a year in which the Government is committed to reducing its spending drastically.

Victorian governments were conspicuously more successful in keeping their spending down than those of more recent times. They actually reduced the national debt, which stood at the end of the nineteenth century at only three quarters of what it had been in the aftermath of the Napoleonic wars.

While in the rest of Europe

annual public expenditure per head of the population tripled between 1820 and 1870, in Britain it rose only slightly from £57,500,000 to £68m. As a fraction of the gross national product, public spending fell steadily from 16½ per cent in 1830 to just under 9 per cent in 1890.

The main cause of this low level of public spending was the reluctance of Victorian administrations to become involved in economic and social affairs and in the management of industry. Britain was the only country in the world in the nineteenth century where the government played no part in creating or financing the railway system.

On those rare occasions

when the government did intervene in the running of industry, it was always with the minimum possible outlay of money. The implementation of the Earl of Shaftesbury's famous Act of 1842 forbidding the employment of women and children in underground mines was for many years left in the hands of just one single inspector, and the entire Home Office department responsible for the regulation and inspection of factories cost a mere £12,000 a year to run in the 1850s.

It was not until the last decades of the nineteenth century that the advent of a com-

pulsory education system brought a new kind of charge on the Exchequer, and even then it represented only a tiny fraction of total government spending.

Throughout the Victorian period the largest single item in the annual budgets were defence and the repayment of interest on the national debt, which together accounted for more than three quarters of public expenditure.

The ruling principle of Victorian finance—that budgets should be balanced at the lowest possible level—was established by the two greatest Chancellors of the Exchequer of the age, Peel and Gladstone. Peel laid the foundations of cheap government in his budget of 1842 which transformed a £2m deficit into a surplus. He reversed the increase in the national debt, which had begun during the wars against France at the beginning of the century and continued under the reckless mismanagement of the Whigs in the 1830s, by shifting the blame to Gladstone.

He was determined that public spending should be financed out of taxation rather than borrowing and that its cost should never be carried over from one year to another. Like Peel, he relied on income tax, although he hoped always that it could eventually be abolished as he regarded it as a temptation to governments to replace him.

He once began a speech at Greenwich somewhat tactlessly by announcing that he had sacked 1,463 superfluous clerks and workmen in the naval dockyards. He tried to persuade Secretaries of State and High Court judges to take a cut in pay. The smallest savings were important to Gladstone.

He wrote: "It is the mark of a chicken-hearted Chancellor when he shrinks from upholding economy in detail, when because it is a question of only £2,000 or £3,000, he says that is no matter. He is not worth his salt if he is not ready to save what are meant by candle ends and cheese parings in the cause of the country."

True to this principle, Gladstone ordered the Foreign Office to use single rather than double sheets for its dispatches and insisted on re-

military expenditure and voted in Gladstone's last budget in 1882, however, income tax was still only 4d on the £.

Within government Gladstone vigorously pursued the cause of economy. He ruthlessly eliminated unnecessary public offices. When he heard that a clerk in the Debt Office was dying, he sent an urgent note to the Prime Minister saying that there was no need to replace him.

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How much of China's trouble was inherited from Mao?

The recent bickering among the leaders about who did what in the various stages of the "last days of Mao" struggle was only to be expected. The rehabilitation of Teng Hsiao-ping who was so obviously the most dramatic casualty of the first clash that came with Chou En-lai's death a year ago was also unavoidable. And that must necessarily have involved the man who got his job then and thus finished up leading in the last lap of the race to the Chairman's seat—Comrade Hua Kuo-feng. The relative status of Mr Hua and Mr Teng in the new Chinese hierarchy may now have been settled amicably.

But does that end the surviving resentments? It is far to use the other question that cannot and will not be asked in China who is to blame, for what is now going on, attaches to Mao Tse-tung.

To answer the question in terms of past policy differences would be tedious and

somewhat misleading. The more relevant question is the relationship Mao had with his senior colleagues and his treatment of them. (In parenthesis it might be said that there is no question of the "execution" of Chiang Ching and the rest: Mao set his face against such behaviour far back. Whatever suffering party outcasts have endured they have never had to fear for their lives.)

Two points in Mao's leadership stand out. That he never at any time had any close confidants or sympathizers, partly from a reserved, withdrawn personality, partly, perhaps, from the sense of detachment he thought appropriate to a supreme leader. The second point, much more amply documented, was Mao's persistent, constantly repeated, relentless attacks on his opponents in the party. Every major speech or statement almost to his dying day rehearsed once again the party struggle to prove that Mao was right and his

opponent not merely wrong, but an inveterate revisionist (or whatever was the fashionable term of abuse current).

Most of these "struggles between two lines" are now past party history. But of the most recent struggles three must be present in everybody's minds. So if the question of Teng Hsiao-ping's rehabilitation is raised, what is to be said about Peng Te-huai, about Liu Shao-chi and Lin Piao? If Teng Hsiao-ping's second fall was an incident of Mao's severity that can easily be blamed on the "gang of four", was his first fall in the cultural revolution not part of the assault on party headquarters in which Liu Shao-chi fell?

But let us start with Peng Te-huai, who had commanded Chinese troops in Korea and was Minister of Defence at the time of his downfall. At the central committee's plenum in Lushan in August 1959, he attacked Mao's policies resulting in his dismissal and dis-

grace. Outwardly, Mao seemed to have carried the day. But in 1965 the first shot fired in the cultural revolution was the attack on a play written by Wu Han the deputy mayor of Peking: "Hai Jui's Dismissal", in fact based on a minister of the Ming dynasty but said to be a finely disguised version of the Peng Te-huai case.

In the play the minister said to the Emperor:

"In earlier times you did quite a few good things, but how about now? Your mind is deluded, and you are too dogmatic and prejudiced. You think you are always right and refuse criticism. Your faults are too numerous. The whole country has been dis-

satisfied with you for a long time, and the inner and outer ministers and officers all know it."

We can only guess how many of the senior officials who read this (it had been published some years before it was attacked at the end of

1965) felt thus strongly about Mao's leadership. Not a few is perhaps a safe answer.

As for Liu Shao-chi, the number of experienced and highly regarded men who fell in his wake during the cultural revolution is evidence enough that there were far more in the upper ranks of the party who sympathised with him than did with Mao. So far as one can tell, the Lin Piao case is not basically different in the expressed attitude to Mao. That Lin had his own ambitions and tried to seize power is certainly credible, and his overthrow would follow naturally. But seemingly authentic documents exposing the Lin plot also describe Mao as a dogmatic leader who would not listen to criticism.

In the minds of well-informed Chinese officialdom—say 300,000 to take 1 per cent of all party members—is there much to distinguish those who have been rehabilitated and those who have not? If the opposition to Mao in the party

was steadily building up from 1959 onwards, as the evidence suggests, where does one draw the line? Not Lin, perhaps, but Liu and Peng surely?

Ever since he "assumed"—he still lacks any constitutional status—the chairmanship of the party, Mr Hsu Kuo-feng has been treading his tightrope with the utmost care. Maoism must go on and not be seen to be overturned in any particular—not in public statements, that is. But now that Mr Teng has come off the list of the damned and may be confirmed in a rank second only to Chairman Lin, who is the last of the others? Lin, Liu and Peng remain on the blacklist—for example in the eulogy of Chou En-lai published on the anniversary of his death. So who will call the decisions in such delicate areas? Mr Teng's membership of the politburo dates from 1956, Mr Hsu's seniority runs only from 1973. One can easily see the difficulties.

Richard Harris

The Times Diary

Living in clover amid the shamrock

There cannot be many successful English authors still living in England. Apart from James Herriot and Edward Heath, who have other jobs to keep them there, most of our best-selling writers seem to have tied from the capacity of succeeding Chancellors of the Exchequer, who would otherwise claw back up to four-fifths of their royalties. Alistair Maclean has taken refuge in Switzerland, Arthur Hailey in the Bahamas, Frederick Forsyth in Ireland. Since 1969 the Republic of Ireland has been a particularly attractive bolt hole for creative artists, both British and American. In that year the then Minister of Finance, Charles Haughey, granted total exemption from income tax to all writers and artists living in the country, whether Irish or foreign. All they had to do was to submit a specimen work to the Revenue Commissioners to prove their bona fides; and if they already enjoyed an established reputation, they did not even have to do that



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LEADERS MAKING NATIONS

forthcoming elections in and Pakistan will reassure who insist that economic is only one part of the of liberation. At the very a government must be representative and an election is of the few ways in which this can be achieved. An fact way, certainly, in the of these countries limited horizons, illiteracy, using social habits and more will militate against freedom of choice. But the though it may not be an measurable one—that in countries of Asia the number able to make such a choice as an election is increasing every year-long term that must make for democracy.

In the shorter term the path of progress is less easily d. Few people can doubt the parties Mrs Gandhi and the will win the election or that these two leaders comfortably confirmed in office. Both countries share in a trend that has led force throughout Asia past two decades. There ruling leaders, some backed by long ruling s. Leaving out of account communist countries which their own unacceptable of democracy there are Park Chung Hee of Korea, Mr Ne Win of President Suharto of Indonesia, President Marcos of Philippines and Mr Lee Kuan of Singapore all of whom notched up more than a in office. Mrs Gandhi, is just begun her second as India's prime minister. Bhutto has the chequered stances of his country to why he has not enjoyed a spell, no one can doubt on his ability to do politically these countries

differ very much. Some of them have no glimmer of a democratic tradition. What they have in common is the task of building a nation and most leaders would argue that this needs continuity of effort and particularly of leadership. One familiar face and voice is the only way of capturing mass attention, for without that the masses can have little concept of nationhood. If pressed they might go on to add that nothing can be achieved by the constant interchange of parties or leaders that may result from democratic elections regularly held. They would point to a country like Sri Lanka and ask what political gain has followed on the alternating spells of power enjoyed by Mrs Bandaranaike's Sri Lanka Freedom Party and the United National Party, which first launched the island's independence in 1948. They might even remark in passing the debate in some western countries over "adversary politics".

In the earlier period of post-independence Asian history, military takeovers were the common resort in face of alleged democratic weakness. Since then the continuity of political power and leadership has been maintained by more peaceful and more subtle though not always non-violent methods. Declarations of emergency may be followed up by well-organized government parties, sometimes combined with restrictions on opposition parties, none of which is strong enough to make its protest effective since none has mass appeal.

Almost all leaders pay tribute to democracy and will say that their action is temporary and done only for the good of the country. Alternatively the rules of political debate and action are laid down. As Mrs Gandhi put it recently: "Once a government has been duly elected, its pro-

grammes are those of the entire nation. If the opposition do not approve of the programmes they may not help but they have no right simply to put up obstacles. To do that is a contempt of the people and the system of democracy."

This defines the most common response. Almost all developing countries regard criticism of their government as equally a slander on the nation. Government and nation are one, so long as the nation is felt to be immature or lacking in acknowledged international status. That this applies very forcibly indeed to any outside criticism India has lately shown. The idea that the country can be favourably regarded while the actions of its government are criticized is not accepted.

The defence put forward for

limits on internal criticism

whether of party or leader will often rest on the belief that the nation can really take shape only round some undefined but acknowledged consensus. Are not the traditional habits inculcated for centuries by village elders, it will be argued, a better guide to the political instincts of nationhood than the implanted and alien practice of western style democracy? Whatever the arguments offered in support of Asia's singular leaders and one-party governments, whether they are spoken or unspoken, the trend is unmistakable.

It is sometimes argued that the

Independent Sector represents so

small a percentage of the school

population that its further isolation

would be of no significance. But

minorities demanding greater

autonomy or independence

Almost all have seen this as a

threat to the new nation. Almost

all are still busy combatting

what they see as the break-up

of their countries. The balance

of economic and political pro-

gress is bound to remain jerky.

I ONLY THE ACCOUNTANT'S VERDICT

he great success of *Look in Anger* in 1956, the Court theatre put on about productions in seven years, a dozen lost money. Even famous period, which the Stage Company must go back on with previous the theatre was turned far more duds than successes. Of mere profit is no yardstick for measuring success of a theatre whose are at all adventurous, may determine whether it will continue the adventure. It was partly luck, so, that enabled the company to use the profits from *Look in Anger* and *The Inter* to sustain losses on new plays. Nevertheless, company does contain a lesson theatre's governing body, meets today to consider a ultimatum from the council. At the end of this financial year the company is expected to be in debt. The Arts has given warning that if able budget and program for next year cannot be met, the theatre should once again the "block" at with a hook" who used

within his discretionary powers. Lawyers play it canny.

The trouble, of course, is that the coarser kind of party politics cannot be sieved out of the case. It began with the Post Office Union's decision to join in a political campaign against the regime in South Africa; continued with the application for an injunction from a member of what Labour bitterly calls an extreme right-wing pressure group, and the Attorney General's refusal to authorize it; and so on and on, until the Appeal Lords pronounce judgment, and Mr Silkin answers to the Commons.

In more ways than one, the case goes directly to the heart of contemporary politics. It deals with individual freedom in a day when government power rapidly increases; with the ability of Parliament to protect the individual when governments may revolutionize society without their mandate, and when the House of Lords is threatened with extinction if it says boo to a goose. It deals also with the expansion of trade union privileges at the expense of other citizens, and raises questions about how far the judiciary itself may go in providing the protection that Parliament may no longer give the individual citizen. By any test it is combustible.

constitutional and political tinder. The law's niceties may be a rough house in the what will do little or to help outside public to decide constitutional s. of cardinal importance. Once again be scorched in an argument about the strict and the tenderness which Parliament should such trade union interests will be far from the spirit lawyer MPs discussed the *decrees* during the week as been much thumbing of s. work by Professor John (he studied law with Hughes, chairman of the Party) and of S. A. de Smith's *Constitutional Law*, and met one lawyer politician her side who questions Mr right to decide as he did. They say, will determine the merits: Mr Silkin kept

he evidently thought they should be if the individual citizen, at the mercy of too much law and too much imprecise or downright bad law, is to have a comforting sense that he has somewhere to go to vindicate his rights.

At the root of most of the trouble, of course, is the arrogance of ministerial and party power, which is always with us, and, more important, in recent years the special place in statute law given to organized trade unionism, represented less than half the working population, yet holding the commanding heights of the economy and controlling the electoral destiny of governments. There is no end to the statutes that give particular groups of trade unionists an advantage which has nothing to do with equality of citizens before the law.

We had an example in the Lords last Thursday. Note it, Lord Houghton of Sowerby, himself a former trade union leader and long-serving member of the General Council of the TUC, intervened on the committee stage of the Criminal Law Bill. Clause 5, dealing with conspiracy, he said, "is as much part of the social contract as anything else you can think of, because the TUC and the trade unions were determined to get a change in the law". Except for that, the Government would not have put it into the Bill.

Well, the first line of defence for the ordinary citizen may be the Master of the Rolls and the courts. The second may be judges in the Lords, or the House of Lords itself as a legislative longstop. A third may be the Commons, though I begin to doubt it. Lord Scarman and Lord Hailesham, with others, ask for the defence of individual liberty in depth: a Bill of Rights. Unfortunately, as Alan Campbell, QC, and his committee of Conservative lawyers argued in a pamphlet a few weeks ago, no Parliament can bind its successor, and a limitation of the power of Parliament could not live without agreement between the two main parties *alterating* in government. A repeatable Bill of Rights would be a snare and a delusion in which the private citizen, on the evidence of the social contract as it is now worked, would be foolish to put his faith.

That is not all. Some Conservative lawyers nowadays draw hope from signs that the higher judiciary is pushing forward the frontiers of freedom against the executive and administrative prerogatives of government, as illustrated by recent judgments on Tameside and Laker Airways. "I have no doubt", one Conservative QC told me, "that the frontiers are being altered": and

Efficiency label for schools

From the Chairman of the Headmasters' Conference and the Chairman of the Incorporated Association of Preparatory Schools

Sir, It was reported in your issue of Friday January 7 that the Department of Education and Science is considering a proposal to end the procedure whereby an independent school may become "recognized as efficient". We acknowledge that this proposal reflects economic pressures but we believe that the Secretary of State, in making her decision, will wish to have in mind all the educational implications.

Inspection not only allows schools to benefit from the experience and expertise of HM Inspectors; it provides a guarantee for parents that schools recognized as efficient as a result of their reports have high standards in teaching and facilities. Only schools that are thus recognized will join the Headmasters' Conference and the Incorporated Association of Preparatory Schools which together represent some 650 schools.

Our schools and many others very much appreciate contact with inspectors and we know that inspectors on their part value their contact with us. Both parties would lose if that was ended.

The withdrawal of these inspections for independent schools would have wide national implications. Many people across the political spectrum wish to see independent schools more closely associated with the main stream of education in this country: and explore any move, whether inspired by political conviction or economic necessity, that tends to separate further the Independent and the Maintained Sectors.

It is sometimes argued that the Independent Sector represents so small a percentage of the school population that its further isolation would be of no significance. But independent schools produce 28 per cent of those who obtain three A-levels. Is it really proposed that between a quarter and a third of the most able pupils in the country, together with the men and women who teach them, should be cut off from all contact with the Inspectors? Such a proposal would seem at best misguided. We hope and believe that this is an economy that the Secretary of State will decline to make.

Yours faithfully,

JOHN RAE, Chairman of the Headmasters' Conference, 17 Dean's Yard, SW1.

HUGH WOODCOCK, Chairman of the Incorporated Association of Preparatory Schools, Dulwich College Preparatory School, 42 Alwyn Park, SE1.

January 20.

Educating our masters

From Mr John Garrett, MP for Norwich South (Labour)

Sir, I was surprised that an announcement from the Civil Service Department that it was considering the establishment of a new staff college (while downgrading the present one) should provoke from you such a violent attack on the report of the Fulton Committee ("Educating Our Masters", January 18).

Though Fulton's findings have never been refuted, its most important recommendations have not been implemented. Its proposals for new planning arrangements, for the installation of procedures for measuring departmental efficiency and effectiveness and for a reduction in secrecy, look even more relevant now than they did at the time.

You probably object to Fulton's finding that the domination of top general management posts in the Civil Service by Osbridge arts graduates and the virtual exclusion from such posts of engineers, accountants, research officers and other technically-qualified staff is incompatible with the ideals of a radical stage company. The need for such a company in London is as great today as it ever was, and the audience for it still exists. There is nothing wrong at the Court that could not be set right by an artistic director who knew his own mind and was not afraid of vulgar success.

Within his discretionary powers. Lawyers play it canny.

The trouble, of course, is that the coarser kind of party politics cannot be sieved out of the case. It began with the Post Office Union's decision to join in a political campaign against the regime in South Africa; continued with the application for an injunction from a member of what Labour bitterly calls an extreme right-wing pressure group, and the Attorney General's refusal to authorize it; and so on and on, until the Appeal Lords pronounce judgment, and Mr Silkin answers to the Commons.

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LETTERS TO THE EDITOR

Efficiency label for schools

From the Bishop of Norwich

Sir, Thank you for your clear leader "Canterbury and Rome" on January 21. The suggestion that the Pope might become the Head of the Family of Church of England Churches throughout the world, presumably, "in faith and morals" and speak ex-cathedra with infallible judgment, paradoxically highlights the strength, flexibility, and continuing growth of the Anglican Family of Churches against the stresses, rigidity, and even the loss of priestly man-power that our fellow Christians in the world-wide Roman Catholic Church are facing.

Churches desire a closer form of organizational unity. In this week of prayer for unity the miracle before our eyes in 1977 consists of fellow Christians loving each other, praying together, ministering and worshipping in the free patterns which they enjoy and value within their different communions and in social action and service to the world for which Christ died, reaching out together under the guidance of the Holy Spirit, not in a competitive spirit, but in a complementary one, which does not see monopoly as necessarily good and sees diversity in love as necessarily weak.

Our international inter-church commission may do the world a great service if from a close study of its report a surprising variety of Christians should find themselves in love and mission and holiness walking along the pilgrim way together to Canterbury rather than along the Roman road together.

Yours faithfully,
MAURICE NORVIC:
The Bishop's House,
Norwich, January 21.

From Mrs K. M. Thwaites

Sir, In your leading article (January 20) you suggest intercommunion between Anglican and Roman Catholic congregations on the basis of a "sufficiency of doctrinal agreement" as a less ambitious objective than corporate reunion and one which would be a satisfactory enough

to be going on with.

It is customary to advocate intercommunion as an ecumenical expedient, but in the context of Roman Catholicism the word has no practical meaning: communion is an expression of corporate union, not a means of attaining it. Those who are in communion with the Roman Catholic Church are by definition at one with her and therefore the prefix "inter" is redundant.

The act of communion consummates the unity of the faithful in Christ who is the whole truth, not just a "sufficiency" of it. To offer communion to those who are not wholly committed to its own faith would be for the Roman Catholic Church to renounce the definition of unity in which its identity subsists and, far from promoting unity, to abandon its ecumenical role as more pastoral and shepherd than juridical and absolute.

Because "small is beautiful" as Schumacher says, perhaps the more gentle, defuse and collegial, authority of Canterbury, would be a better focus of organizational unity, than the more patriarchal pattern of Rome, if both great

expected, but a stand-still policy is

surely not too much to hope for.

The former Minister for the Arts fought hard for that increase; we trust that Lord Donaldson will do the same. It is, however, a sad reflection of the importance which the Government attaches to the arts that its minister has to fight from a position of weakness, that he does not have Cabinet status, nor even a department of his own.

National expenditure is not the only area of concern. Local authorities have been exhorted to cut back on spending and there are already indications that these exhortations are affecting local grants to the arts. The amounts involved are a tiny fraction of local government expenditure but they could make the difference between a town having some cultural activity or none at all.

If our readers, wherever they live in Britain, enjoy live music, drama, dance or theatre, may we urge them to make their voices heard, locally and nationally, in a plea for maintained funds to support the arts?

Yours faithfully,
Malcolm Arnold, Beryl Grey,
Peggy Ashcroft, Yehudi Menuhin,
Richard Baker, Linda Martini,
Robert Bolt, Laurence Olivier,
Hugh Casson, Jon Povington,
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Whatever may be the practical merits of this policy the public is given a distorted view of the cost of legal aid and violence is one of the principles governing Parliamentary Votes.

Following the publication of the latest legal aid figures in your columns on November 24 last I wrote to the Home Secretary. He has now replied saying that he accepts that the practice "does have the effect of increasing the figures for expenditure on legal aid above what they would otherwise be" and says that his department is now "considering some of the practicalities".

It seems to me that, inter alia, the Comptroller and Auditor General should also be "considering some of the practicalities". So should those responsible for administering the Legal Aid Fund since many of the charges made on the fund should properly be met by other Votes.

I have the honour to be, Sir, your obedient servant,

ROY ROEBUCK,
6 Gray's Inn

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16

tax breakdown reached on eve Varley power industry talks

By Peter Hill
Industrial Correspondent

Within the next two days the clearing banks are expected to decide on a cut in the rates which they charge to borrowers after last Friday's three-quarter point cut in the Bank of England's minimum lending rate.

Although the banks were not prepared to commit themselves to such a move last week, it is widely expected that their base rates, which have been standing at 14 per cent since October, will be cut by at least half a point and possibly more.

This means that the rates to prime industrial borrowers will come down to 14 per cent or less. Building societies, however, will not be following suit until the minimum lending rate has dropped further, and their own receipts have recovered.

The banks' reluctance to make any move ahead of this week's developments in the money markets arises from the divergence of rates on short and longer-term money.

With money flowing into longer term instruments, such as gilts, in consequence of the authorities' desire to keep the brakes on the fall in interest rates despite the recovery in the pound, funds at the shorter end of the market have been very scarce, and rates remain unusually high.

The banks are anxious to avoid any possibility of a situation developing in which their customers are able to borrow and then lend in the short-term markets at a profit.

Cracks in the No 2 generator were noticed in November when the unit began to vibrate excessively. A replacement rotor originally intended for the oil-fired power station at Invergordon in Scotland was brought in, and installation should be completed by the end of the month.

Similar vibrations were experienced on the No 1 unit and it was shut down on January 14. Investigations on the spot disclosed similar cracking.

A meeting will be held this week between the manufacturers, the CEGB and the South of Scotland Electricity Board to discuss a replacement rotor for the No 1 set.

There is a possibility of using the rotor built for the SSEB's nuclear power station at Hunterston or one from the CEGB's ill-fated Dungeness B nuclear station.

The third 660MW set produced for Drax by Parsons is a different design and is unaffected. The two 660MW sets now out of commission were the first units of this size to enter service in Britain.

Technical experts at the generating board feel the problem is of the type often experienced when a new generation of equipment is introduced. Dr Robert Hawley, managing director of C. A. Parsons, said yesterday that the cause of the cracking had been discovered and the problem could be solved by modifying the shape of some of the rotor components.

On units where there had been no cracking this could be done for several thousand pounds in a couple of weeks, and the modification could be included in any new units built in future.

Cut in bank base rates likely within two days

By Our Financial Staff

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Pressure on margins has kept profits on margins ahead at a slower pace and with the United States dock strike and glass shortage in 1975 pre-tax profits fell by a quarter to £1.58m.

However, the group is looking for a two thirds rise in the current year to £3.1m, helped by price increases and a once-and-for-all currency boost from switching invoicing to dollars in North America.

With its strong balance sheet — cash is more than £2m—Burrough has ambitions of expanding, particularly into whisky.

Around 5 to 10 per cent of the 13.8m ordinary issued capital is being made available in the first year. More will

BSC modifies development strategy

By Peter Hill
Industrial Correspondent

Modifications to its 10-year development strategy—much delayed since its original approval five years ago—are to be submitted shortly to the Government by the British Steel Corporation.

The latest submission is expected to show some important amendments to the schemes originally proposed. Some trimming of the original targets now appears likely following a detailed review of the entire strategy against the background of revised projections of United Kingdom steel demand over the next few years.

This latest review began last summer, prompted by the Government's refusal to give its

blessing to the corporation's controversial plan to phase out steelmaking at the Shotton works in north Wales, while doubling capacity from three million to six million tonnes at the coastal site at Port Talbot in south Wales.

Mr Monty Finniston, the BSC's former chairman, who expressed bitter disappointment at the Government's decision, stressed in July that he hoped that the review of the plan would be completed by the time he left in early September. This was not possible. Since July, BSC planners have been engaged in a detailed study of the Shotton-Port Talbot situation, but this has been extended to embrace the entire strategy in view of the Government's stated anxiety over the assumptions made about capital costs and market prospects in the original strategy document.

The latest review has been undertaken both by the spiralling inflation of the past few years and the serious recession in 1974-75, from which it has still to recover.

Sir Charles Villiers, the new BSC chairman, has taken a keen interest in the reappraisal, although on taking over the chairmanship he made it clear that he attached great importance to the need for continued high levels of investment if the BSC were to realize its long-term aims to compete more effectively with its international rivals.

Drawbacks seen in noble aims of Congress

Mr Walter Mondale, the United States Vice-President, has arrived in Western Europe to give leaders assurances on the Carter Administration's foreign policies.

His visit comes at a time when there is confusion in Washington over the consequences of what may be termed the wave of moral righteousness that is evident regarding United States international economic relations.

Leaders of the Congress, encouraged by comments made by President Carter before he took office, are determined to legislate on such matters as the use of bribes abroad by American companies, compliance by American companies with the Arab boycott of Israel and the withholding of development aid to countries which do not share the United States view of human rights.

Mr Michael Blumenthal, the Secretary of the Treasury, told the Senate finance committee recently that he believed legislation dealing with corporate bribery would be extremely difficult to formulate. He said he favoured a voluntary code of conduct by leading companies.

The Congress is most likely to ignore these comments and move ahead with legislation.

A large number of American business men say privately that legislation in this area may produce a host of new regulations which would make foreign operations more difficult, with the result that foreign investment may decline.

Tougher regulations governing the Arab boycott of Israel could lead to major problems for the United States in its relations with numerous Middle East countries, notably Saudi Arabia, according to Dr Kissinger, the former Secretary of State.

He favoured solving the problem by quiet diplomacy, and said that legislation would not only endanger the chances of further progress towards peace in this area, but could also prompt the Organization of Petroleum Exporting Countries to adopt a tougher policy on oil price rises.

The Congress seems determined to legislate on this matter. Mr Blumenthal promised the Senate that he would review present regulations on compliance with the boycott by American companies and Mrs Juanita Kreps, the new Secretary of Commerce, assured the Senate that her department would be much tougher on companies which cooperated with Arab demands.

It is probable that numerous European leaders will tell Mr Mondale that they believe legislation on bribery, the boycott and human rights, while noble, is likely to be counter-productive.

They may point out that such legislation would make it all the harder to break out of what Mr Robert McNamara, the president of the World Bank, termed the "current impasse" in international economic negotiations.

Frank Vogl

Burton to pay pension fund extra £264,000

By Our Financial Staff

Burton Group's 1976 accounts published today give an indication of the additional costs facing companies as they near the April, 1978 deadline for the introduction of the state pension scheme.

Existing occupational pension schemes, covering half the country's 22 million workers, will have to match benefits available within the state plan, or be drawn into it.

To improve benefits for members of its scheme, Burton, which employs 18,000, in its 325m-wear, Peterborough, Top Shop and Ryman office equipment, stores, division, the company has undertaken to make additional payments to its pension fund of £254,000 for a maximum of 18 years.

Burton, which reported pre-tax losses of £1.4m last year before foreign exchange and closure losses of a further £2.1m, also reports that the latest valuation of one of its pension funds shows a £4m deficiency, as increases in investment values fell behind higher salary levels. This deficiency will be filled by higher annual company contributions to the fund. Pension costs have been

least of Burton's worries in the past few years. Mr Ladislav Rics, the chairman, comments that the group starts the new year "on a stronger basis", and, although the economic outlook cannot be regarded as encouraging, the group is improving its ability to make progress in adverse circumstances.

New debt has been cut by £9.4m to £45m, which is 39 per cent of shareholders' funds, and the group has repaid the £4.6m Swiss franc loan that cost over £1.5m in exchange losses in the past two years.

Closures and tighter controls have either brought into profit or eliminated businesses which accounted for £2.4m of last year's trading losses. Further, the planned expansion of the women'swear side of the business is in progress, with the number of Top Shop outlets having been increased from 50 to 66 so far.

Internal valuations have been made of the group's properties, showing a value 5 per cent below the balance sheet total of £109m. Property sales of £11.4m in the year produced a £2.8m profit and net assets per share amount to 316p. The shares closed at 43p on Friday.

BIM chief urges pay flexibility

By Christopher Thomas
Labour Staff

Mr Healey is now considering a range of suggestions on the shape of a possible new wages pact with the unions, the latest of which has come from Sir Derek Ezra, chairman of the British Institute of Management.

He has told the Chancellor that the decision not to seek a full share listing indicated the Burrough family's reluctance to dilute their control, as some family members need to capitalize on their shareholdings.

"Unfortunately some die and on account of the success of the company their executors have to find money for Estate Duty—CTT; others would like to make provision for their family beforehand to alleviate the problem; others need money now over and above what they are left by the tax man; others want to educate their children, even buy houses..."

Some big groups are looking to take a larger overall slice. Dunbee-Comber-Murk is projecting "well over 20 per cent" growth by value this year.

DCM expects a writ for infringement of copyright taken out last year against one of the other major toy companies, Mervoy, to be heard later this year. The writ concerns "DCM", "Play People", "Range" and a similar line produced by Mervoy, "Busy Bodies".

It is the first time the association has gone to Birmingham.

Meriden aid scheme for Cabinet

By Ronald Emmer

The future of the Meriden motor cycle workers' cooperative is expected to be considered by the Cabinet this week.

Mr Lever, Chancellor of the Duchy of Lancaster and the Prime Minister's economic adviser, has drawn up a rescue plan which would involve the subcontracting of work to the cooperative by GEC. It is understood that Sir Arnold Weinstock, GEC chairman, is considering providing sales and marketing expertise.

Successive flat-rate pay policies, together with inflation and income tax, had cut the real purchasing power of managers to a much greater extent than wage earners, he said.

The real value of managers' salaries after tax had fallen on average by 12 per cent in the four years to July, 1975, while average earnings rose by about 5 per cent.

In the two years to January this year, he said, the real value of managers' salaries fell by an average of a further 19 per cent, compared with a fall in real average earnings of only about 6 per cent.

Sir Lever, told the Chancellor: "While we share with others the aim of returning as soon as possible to a system of wage and salary negotiation that is free from direct controls, we recognize that this objective must be approached with care if a sudden pay explosion is to be avoided."

A new pay code should:

1. Include variable pay systems to reward merit and achievement.

2. Reduce the anomalies caused by the timing of the introduction of the £6 limit in phase one, and to allow financing new efficiency deals.

3. Be combined with reductions in income tax to restore incentives.

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£100,000 Saudi order 10

Percy Lane Group has won a £100,000 export order for fireproof linens and waste disposal chute systems for Saudi Arabia.

£15m Soviet deal 10

Britain is to buy £15m worth of Soviet synthetic rubber over the next four years under an agreement signed by the International Synthetic Rubber Company, manufacturer of synthetic rubbers in Britain.

Mr Maier expects world synthetic shipments to rise by 8-10 per cent this year.

British Aluminium covered

£15m Soviet deal 10

The Bank of England's minimum lending rate is being reduced 4 percentage point this week, to 13 per cent. The following are the results of Friday's Treasury Bill Tender:

Bank of England 13 1/2% Allocated £300m 11%

Bid at 13 1/2% 13 1/2% Received 13 1/2%

Prev 13 1/2% 13 1/2% Received 13 1/2%

Average 13 1/2% 13 1/2% Received 13 1/2%

Next FR £300m Replace £300m

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Management

Dixons Photographic: how to enlarge without losing focus

It could easily be argued that Dixons Photographic was in danger of biting off more than it could chew last February when it took on Weston Pharmaceuticals.

With 200 chemists shops as well as wholesale and manufacturing operations yielding a turnover of £42.3m in the year before the takeover, the chemists group is close to Dixons in size if not in profitability. Apart from its size the purchase took Dixons into a completely new trading area, even though it had previously expanded far beyond its original photographic and optical base.

However, a year after the purchase the indications are that Dixons has gone a long way in tackling some of the more formidable problems it inherited with Weston's. Furthermore, it appears to have fulfilled its promise of applying more sophisticated management backed by financial resources to create a firm base for expansion.

Presenting the group's interim results last week, Stanley Kalins, Dixons chairman, was able to report that the board's investment programme in Weston's was on schedule. However, the fact that Weston's had contributed only £124,000 to pre-tax profits of £4.5m for the group as a whole, indicates the disparity in performance.

The amalgamation got off to a bad start. For as soon as Dixons' finance team moved in to examine its new purchase in detail it found that operational losses at Barclay Fine Chemicals, Weston's ailing pharmaceutical manufacturing

subsidiary, were much greater than expected at around £90,000 between March, 1975, and June the following year.

Dixons spent some months wrestling with rescue proposals. One was that the factory which had been in difficulties for a number of years should win new customers by supplying the retail shops in the chain. This was ruled out when it was discovered that price and quality requirements could be better met by independent suppliers.

In June, four months after completing the takeover, the decision was taken to close the Barclay factory. It was made reluctantly not least because of what one director describes as the "loss of face".

The other part of Weston's manufacturing operations kept quite separate from the pharmaceutical side. It was found to be in satisfactory order and left to carry on. This consists of two companies involved in the manufacture of tobacco products, Permaflex and Hedges L. 250 Soft Ltd.

Hedges produces over half the total medicated soft consumed in Britain while Permaflex manufactures butane lighter refills both under its own brand name and for other customers. The division incorporating both firms turned in steady profits of £300,000 or so for the three years prior to take-over.

On the retail side, the problem facing Dixons was that the 200 shops built up over a three-year period ending in 1973 by a series of acquisitions of local chains, were geographically bunched together. Dixons found an uneven

jumble of stores with five or more branches in some provincial towns and none in others, which had created difficulties in distribution. No corporate trading style had been implemented and some of the shops were too small and in the wrong sites. Partly because of their smaller size Weston's total yield sales of only £77,000 per shop against Boots' average of £346,000.

Plans to improve the retail spread had been drawn up before Dixons entered the scene but not carried out. The new owners were able to pick up the reins quickly and by last December had implemented extensive redevelopment which during 1977 will involve the opening of 15 to 18 new stores and closing others.

They have also commenced a redesign programme which will coordinate the appearance and fittings of the Weston's chain. This scheme will take several years to complete but among the first to be re-established will be the central London branches to try to pick up the increased tourist spending expected this year.

Dixons is also starting to introduce some of its photographic and consumer durable merchandise into the chemists' shops where appropriate. It sees the facility to do this as a big advantage of the deal since there are many areas where there is scope for some sales of such merchandise but not enough to support a specialist shop.

Boots has already demonstrated the profit potential in chemists' shop for goods such

as electronic calculators, cameras, film and audio equipment. With its specialist experience and well developed supply arrangements Dixons feels well placed to develop similar potential in the Weston's chain.

In addition, Dixons sees considerable scope in Weston's for expansion on the film processing side. Using its own factory Dixons, which already has an extensive trade in photographic developing and printing, believes it can offer keener prices and a better service to the chemists chain which previously used independent contractors.

A similar situation to the retail division's was found in Weston's wholesaling. Plans to modernise stock handling and control in the 28 distribution depots, which service independent chemists' shops, as well as those owned by the group, had been drawn up for some time, but not implemented. By investing more of its available financial resources, Dixons was able to introduce computer systems into the warehouses which had formerly operated on an entirely manual basis.

It is the intention that Weston's should continue to operate as an autonomous trading unit under broad leadership from the Dixons board. Commenting on the aftermath of the takeover, Mr Brian Bennett, joint managing director of Dixons retailing, said that he found an "excellent middle management structure" in Weston's which is now being given its head.

Patricia Tisdall

Pensions

Facing up to the new state scheme

It comes as no surprise to learn that three out of every four small and medium-sized companies have still not consulted their employees about contracting-out of the new state pension scheme. The source for the information this time is Gallup, which was commissioned by Legal and General Insurance to find out about the activity—or lack of it—in pensions in the small end of the corporate sector.

Gallup conducted its survey by taking regional samples of private sector companies employing between 50 and 500 people. They were asked two main questions after hearing a brief statement about the "contracting-out" rule.

The first was: had they given detailed consideration to whether their employees should be contracted out of the new state scheme? The second was: had they asked their employees for their views on this question?

Although the final details of the fine print affecting the decision whether or not to contract out of the state scheme were available only last year, employers have now the least known the broad outlines and most of the philosophical implications of contracting in or out for a rather longer time. So, although the survey was based on smaller companies, which do

not have such ready access to pensions advisers and so on, it is still disheartening to find that only 58 per cent of the employers consulted said that they had given detailed thought to the matter.

The fact that there were regional variations—83 per cent of the Scottish employers consulted had considered the question of contracting in or out, as opposed to only 42 per cent in the North and North-east—is not much comfort. After all, "detailed consideration" about contracting out is very much a preliminary in the progression of events which ultimately lead to a contracting out certificate.

The next stage is the one covered by the second question—consultation with employees.

In total 76 per cent of the companies questioned said that they had not asked their employees for their views. Yet this is a legal requirement for companies which provisionally indicate that they will be contracting out.

Nor can corners be cut to save time—a statutory three-month consultation period between unions and employers has been built into the procedure.

The insurance companies and pensions consultants of course have a vested interest in urging

companies to take some action—preferably to contract out—about their pension schemes. The pensions industry has invested heavily in the new Social Security Act and built up staff and capacity to deal with all the inquiries they are still waiting to receive.

At this stage the unsatisfactory response from companies may mean poor results from pensions departments.

But one organization which does not have an axe to grind is the Occupational Pensions Board. It has the responsibility of issuing contracting out certificates once it has decided that a company has met the contracting out requirements.

The same note of urgency is struck by Lord Allen of Abberley, the chairman of the OPB. In the first of a series of bulletins to be published by the board he preaches the same message: "It is a matter of extreme urgency", he says, if companies have not already studied the alternatives of contracting out or not of the state scheme.

There is a great deal to be done in a short time, particularly if the decision is to contract out. Not only is it essential to consult trade unions: the employer must also prepare, and issue, the formal

notice (telling his employees of the decision to contract out); consider representations; prepare essential amendments to scheme documents; and submit the formal election to the OPB.

This is a time-consuming and complex exercise—and not merely for the companies and their advisers. There are the officials of the OPB, too.

It is reckoned that it will take at least two man-days to deal with each submission—and that is assuming that there are no corrections or amendments.

Lord Allen has this warning: "It would be a mistake to assume that, if an election is sent to the OPB by the end of 1977, all will be well. Considerable pressure will build up in the second half of the year and bunching of applications at a late stage could lead to contracting out certificates not being issued by April, 1978."

Do not forget that if the contracting out certificates are not ready by April, then both the employer and the employee will be paying more than they need by having to make the full-rate contributions to the state scheme as well as the full contributions to the private pension scheme. Companies have been

warned...

Margaret Stone

Business appointments

Board changes at Hongkong and Shanghai Banking

Mr Peter Ward has joined the board of Yorkshire Switchgear and Engineering.

The following are to be appointed directors of John Brown & Company, a management company of John Brown & Co: Mr J. R. Mayhew, Sanders (chairman), Mr J. A. R. Staniforth, Mr H. B. Morris, Mr G. W. J. Trowbridge, Mr J. R. Simms and Mr A. G. Gandy.

Mr L. R. Fuller is the new president of Scientific Instrument Manufacturers' Association of Great Britain.

Mr W. J. Balderstone is to become chairman of Dismantling & Engineering Group. Mr M. Dudley

becomes managing director. Mr W. J. Balderstone will also be chairman of the following: Dismantling & Engineering Ltd, with Mr D. L. Balderstone as managing director; and Dels Construction, with Mr D. L. Balderstone and Mr J. L. Balderstone as joint managing directors.

Mr G. J. Jones and Mr L. M. James have been made directors of George Donland.

Mr A. D. Shave joins the board of Gordon Johnson-Stevens.

Mr William Davies has become an associate director of AB Electronic Components and managing director of AB Connectors.

Extract from Audited Consolidated Statement of Accounts 31st December 1976

	1976 £000	1975 £000
Authorised Capital	25,000	25,000
Issued Capital	20,250	20,250
Retained Profits	8,039	5,664
Total Shareholders Funds	28,289	25,914
Subordinated Loan Notes	17,626	—
Current and Deposit Accounts	638,722	454,566
Cash at Bankers, Money at Call and Short Notice	142,207	124,695
Deposits with Banks	131,730	103,616
Loans and Advances:-		
(a) under one year	196,764	121,227
(b) over one year	206,558	130,940
Total Assets	729,809	501,537
Profit before Taxation and extraordinary item	6,503	4,839
Profit after Taxation and extraordinary item	3,185	2,263
Proposed Dividend	810	570

Shareholders
Skandinaviska Enskilda Banken (Sweden)
Bergen Bank (Norway)
Den Danske Bank (Denmark)
Den Danske Provinbank (Denmark)
Landssbanki Íslands (Iceland)
Skånska Banken (Sweden)
Union Bank of Finland (Finland)

Scandinavian Bank Limited
36 Leadenhall Street, London EC3A 1BH
Telephone: 01-709 0565
Telex: 883221 Scansbank
Registered Number: 949047 London

1976 was a year of expansion for the Group which was successful in raising a US \$30M (£17.626 million) seven-year undivided loan by way of private placement giving together with share capital and reserves amounting to £28,289,000 a total capital base of £45,915,000.

Loan demand was satisfactory, with the Bank continuing its role of financing Scandinavian and Scandinavian-related requirements. A substantial number of loans were managed and co-managed by the Bank during the year, giving rise to increased activity in syndicated loans and private placements. The Bank's activities in the foreign exchange and bond markets were very successful.

The Bank's subsidiary in Hong Kong, Scandinavian Far East Limited, developed satisfactorily during the year. A branch office was opened in Bahrain to enable the Bank to take a more active role in the foreign exchange and money markets in the Middle East and to provide for its clients increased facilities for their financing needs in that area.

Despite the difficult economic situation, I am confident that the conservative policy followed by the Scandinavian Bank Group will continue to produce good results and its strong capital base provides the foundation for continued growth which is further supported by the increasing requirements of Scandinavian business for international financial services.

Chairman

Edited by Rodney Cowton

The growing role of the specialist arbitrator

What could well be described as "legal drag"—the delays and expense of going to law in commercial disputes—has long been a frustration to both companies and individuals.

In addition, Dixons sees considerable scope in Weston's for expansion on the film processing side. Using its own factory Dixons, which already has an extensive trade in photographic developing and printing, believes it can offer keener prices and a better service to the chemists chain which previously used independent contractors.

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Patricia Tisdall

LETTERS TO THE EDITOR

A bold reduction in interest rates could help to solve our problems

From Mr B. D. G. Sketchley

Sir, I wonder how much longer we shall continue to saddle ourselves with billions of pounds of debt at ridiculous rates of interest? Paying 15 per cent up to 1988 makes no sense to me—not, I suspect, to a lot of other people.

During 1976 interest rates were pushed higher and higher to try to persuade our foreign creditors to leave their money here. Naturally enough, many of them took fright and took their money out as well.

During 1976 we have been paying far too much for our oil, and then paid far too much interest on the money we'd just paid them for the oil. Now, at last there is a crack in the oil price structure of the same

amount and oil is beginning to flow from the North Sea and from Alaska.

Surely this is the time for bold action. Bring our interest rates down with confidence and keep on bringing them down until they're half what they are today. I suggest that two of the greatest contributors to our inflation are ultra-high interest rates and penal

taxation—direct and indirect.

Bring them both down and unemployment will again fall.

During 1976 we decimalized and market in government and who was responsible for this?

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BY THE FINANCIAL EDITOR

A base rates dilemma for the clearers



medium lending rate rose by a record three of a point on Friday, on a cut in the banks' base rates early week is very strong

there were, however, other options open on growth, arguing that on a cut could ride once the trend in base rates was clear, though the fear of a tap and the tight-fisted produce in the markets has temporarily abeyance, with heavy dues this week it means certain that mirror the full drop the rates on one and in money, for example, by less than a point on

if the banks have me eye on a money market, started by the efforts to control supply, sterling and interest rates at the same time, to keep the other on the image; and with by 12 points since their base rates up to 10%, it can be taken a will at least, a sure to the customer

ey market rates do he point at which it is worth while for corporations to fund their through, say, bills rather than upwards of 15% the half point cut in which at present most likely outcome will turn out to be a point decline.

ession, on that latter a whether the banks the opportunity to their retail margin 3 per cent, is now all below the record last summer. Here banks have to look on public opinion, as the more important of the threat of

Indeed, in so far as the controls provide the Government with ammunition in its dealings with the TUC we should, perhaps, welcome the controls. But that argument is unlikely to

Earnings and dividends per share on FT 500 index (1966=100), the shareholder gets left behind.

Accounting year	Inflation adjusted	Earnings	Divs Gross
1966	100	100	
1967	701	95	
1968	113	93	
1969	111	91	
1970	108	89	
1971	118	82	
1972	116	86	
1973	146	81	
1974	130	85	
1975	106	77	
1976	115	73	

Source: Phillips & Drew.

find favour with investors who have seen dividends fall 27 per cent in real terms over the past decade, as the table shows.

Earlier this month Sir Geoffrey Howe, the Shadow Chancellor, pointed to the Diamond Commission's findings that half of all dividend income is received by people whose total income is under £40 a week. The bulk of the recipients are pensioners and the pension funds and insurance companies account for 40 per cent of shareholdings, so the controls are no selective attack on the idle rich.

He also repeated Diamond's remarks about the need for ordinary shares to show competitive returns if equity capital is to remain a source of funds for industry, although 80 of the 200 dividend increases above the statutory maximum in the year to March, 1976, were allowed so that companies could provide rights issues.

Sir Geoffrey concluded that the controls distort the market,

levelling returns without regard to the relative risks of individual investments.

Sir Geoffrey is right. But he has not divined any Conservative Party magic formula for convincing the TUC. And his audience of industrialists may have felt a twinge of hypocrisy as their minds drifted beyond the applause to the effect of the controls on corporate liquidity.

GEC's elaborate distribution of capital notes to shareholders and an historically high average dividend cover of 21 times from one side of an equation balanced by the number of exemptions to raise extra equity capital and, to an extent, by their compensating effect in conserving retained profits—an effect magnified by the tighter definitions of distributable earnings under income accounting, and so helping the corporate sector to fund three quarters of its capital requirements from internally generated funds during the decade of controls.

Nevertheless, the controls do distort the market, in 10 years obscuring the valuation of risk by levelling yields without regard to performance and obscuring the market's basic premise that equity prices reflect expectations of a future flow of income.

Leaving aside the unfairness of the limits, which have penalized and have contributed to the elimination of the small private investor as a force in the market for the moment, their indiscriminate nature is at odds with this, in the long run, could help strangle our prime secondary market. That is a high price to pay for a political counter.

Dollar premium

As the pound gets stronger

The dollar premium rate has been weak lately—during Thursday and Friday last week it fell by 5 points to an effective 37/4 per cent, a reflection of the existence of few buyers and a slow but steady trickle of sellers in the investment currency pool.

United Kingdom holders of overseas assets are gradually coming round to the view which continental investors, and the occasional significant foreign to equities already held abroad are acting upon that United Kingdom markets are bombed out and present some of the best buying opportunities in the world. It is, of course, the strength of sterling which has given most of the recent impetus to this change of opinion.

The attractions of overseas assets as a currency hedge are reduced to the extent that the pound can be expected to hold or even increase its value, and the same arguments apply to the earnings they produce—earnings which, in most cases, reflect a far lower rate of return than that available at home.

Just as in other markets, a fall in the dollar premium is likely to feed upon itself. It makes reasonable sense to hold investment currency, despite a decline in the premium, if the pound is likely to fall at some future date. But these arguments do not apply if the pound is likely to hold steady and the prospect of a rise creates strong arguments for taking losses now before they grow larger.

After all, Mr Ford's budget programme, aiming at a budget deficit of £1.5 billion by the end of fiscal year 1980, is based upon expectations of rapid real growth in gross national product (5.2 per cent this calendar year, 5.1 per cent in 1978, 5.9 per cent in 1979 and 5.5 per cent for 1980).

Most economists would concur that these are optimistic real growth forecasts, while many would suggest that they

id controls

price of

accord

upto consider dividends in other than a fiscal context is no controls have moved in wage restrictions since 1966, dividends were on wages were frozen, restrained when were voluntarily removed or a statutory maximum when wage levels dropped. ally, therefore, dividends stem from an analysis of corporateness, no concept of wealth equalization, from any Machiavellian-hatched in Transport kill the capitalist logs of Throgmorton

the controls have a bargaining counter in Government's negotiations with the unions, a part-time controls.

long as the TUC is accept dividend controls a valid counter in negotiations, and while there has so few such in its armoury, market about any effective

the controls distort the market,

over pastime among bankers to debate London can continue a position as the uncapital of the Euro-markets. Some worry level of personal tax, and out that a growing of new loan business booked elsewhere, the problems, the continuing to flood over, according to Noel Associates, investment bankers to banks and institutions, another opened their doors in time only five all of relatively low key office-pulled brings the total of banks in London to 273, but has been in three times. The late sixties seventies witnessed a of American banks, by a similar inflow European banks.

the majors are now established and the arrivals are largely on emergent countries not to miss out, plus one or two—Bayerische Vereins—for instance—which also resisted the pressure.

It is that wherever you book their loans for purposes, London's of the market for capital purposes remains. other banks are lined up into London this, using two of the big European banks to have against the trend so Amsterdam-Rotterdam



Professor Joachim Zahn

By so re-jigging his board, Daimler-Benz's chief executive Professor Joachim Zahn has gone a long way to silencing criticism that the company was failing under the control of a gerontocracy. Six months ago, Daimler's managing board contained only two full members under the age of 50—Reuter and Dr Gerhard Prinz.

Over the next three years there will be close interest on Daimler's headquarters in Stuttgart to see who will emerge as the man to succeed Zahn in the top job, should he retire as planned at the end of 1979.

Fair play

The avowed invention of Roy Jenkins to be a European rather than a British President of the European Commission in Brussels is being tested more quickly than he would have wished.

Hugh Stephenson

Will industrial democracy become a political pawn?

No one is going to be happy when the Bullock report on industrial democracy is published later this week. It has been an exercise from which several lessons should be learned.

The first concerns the way in which the committee has conducted its proceedings. It has deliberated in secret on issues which go to the heart of the social, political and economic organization of industry and commerce in the private sector.

This week's majority report, with its proposals for worker directors, will be a radical blueprint. It will not, however, produce ideas that are rooted in any well prepared ground. It is seldom that any reform succeeds, except by revolution, if there is not at least a major degree of subterranean consent.

In the case of Bullock, the way in which the committee has proceeded has meant that it has made no contribution at all to a process of education and debate over the past year. The

report will, therefore, explode on a world no better prepared to judge the issues involved than it would have been on the day that the Labour Party passed the resolution which led to the setting up of the committee in the first place.

Even if, if anything, confusion is worse confounded by the extensive leaks from Bullock since the middle of 1976. At the outset, the active trade unionists were in favour of statutory two tier boards on the German model, while the industrialists were more receptive to ideas of experimentation through existing board structures. Somewhere along the line, these basic positions have been reversed, adding to the general public confusion.

The result is that, far from helping the Government to decide how to handle this delicate issue, the Bullock exercise has, if anything, made things more difficult. It is not just the high-powered and coordinated campaign of opposition now being mounted by the CBI, though this has become a real

factor in the equation. It is a combination of other influences as well.

First, the splits within the trade union movement on the issue of industrial democracy are just as deep now as ever they were.

Secondly, no government would wish to introduce legislation of such a profound kind if it merely provoked an immediate and credible promise that the opposition would repeal it lock, stock and barrel on being returned to office.

These considerations lead to the conclusion that, although the Government is convinced that the tide is flowing in the direction of greater industrial democracy, there will be no hurry at all to proceed to legislation as a result of Bullock.

The argument about lack of parliamentary time will be used to rule out entirely a Bill in the present session. Even a Bill next session will probably not be voted in with total urgency.

The time could profitably be used

to promote a wider public debate about industrial democracy, which has so conspicuously not taken place under the rubric of Bullock. Mr Jack Jones, the spiritual sponsor of Bullock, will have retired. This would make it easier to judge the depth of his and other unions' commitment to specific Bullock proposals.

In short, a betting man should take the view that post-Bullock legislation is unlikely this side of a general election. The subject would be better suited to an election manifesto than an early Queen's Speech. There could then be the hope of a mandate for the radical legislation, at present lacking. It would add little or nothing to public expenditure while appearing socially radical.

Meanwhile, any more urgent experiments into industrial democracy could be conducted in the public sector, where the only legislation required would be minor amendments to the statutes governing individual state corporations.

Mr Carter: how long will the honeymoon with Congress last?

Before taking office President Carter promised to balance the federal budget within four years. (He also promised to reduce federal government spending as a percentage of gross national product, sharply to reduce the rate of unemployment and to ensure a further slowdown in the rate of inflation.)

To secure this aim the President will have to reduce the rate of growth of federal government spending. Democrats have in the past sought to limit the growth of the budget by reducing defence expenditure, while maintaining substantial real growth in domestic social assistance programmes.

Former President Ford has effectively blocked the Congress from taking this course again.

Mr Ford's budget proposals for the 1978 fiscal year (which starts on October 1, 1977) involve a rise in defence expenditure of roughly 10 per cent to about \$112,000m. The figure is lower than had been expected, but this is explained by Mr Ford's optimism that successful arms limitation agreements will be reached with the Soviet Union.

It is a tightly costed defence programme in which it seems most improbable that President Carter and the Congress will manage to find means of saving more than \$3,000m or \$4,000m at most.

Mr Ford's proposals involved significant reductions in taxation, and President Carter is unlikely to be able to raise revenues much above the level suggested by his predecessor because he has already committed himself to a two-year \$30,000m inflationary programme (relative to the prospects before the Ford budget) that includes substantial tax cuts.

Revenues could, of course, be higher, just as spending could be lower, if the economy were to grow spontaneously in real terms at a faster rate than Mr Ford's advisers projected.

A greatly increased rate, however, would almost certainly produce a higher inflation level over the next few years.

After all, Mr Ford's budget programme, aiming at a budget deficit of £1.5 billion by the end of fiscal year 1980, is based upon expectations of rapid real growth in gross national product (5.2 per cent this calendar year, 5.1 per cent in 1978, 5.9 per cent in 1979 and 5.5 per cent for 1980).

The conclusion is that

raise the current year's (fiscal 1977) budget deficit to about \$85,000m, compared with the estimate made by Mr Ford, which did not take into consideration President Carter's plans, of about \$57,000m.

Yet, Mr Ford's figures assure heavy cuts in social programmes, which would be anathema to Democrats.

Of course, President Carter has spoken often of his need to reduce waste in government and the need for reorganization of government programmes. So, he may initially take the view that he can achieve some of the cuts in domestic social assistance spending by these means, rather than by Mr Ford's cruder device of simply terminating some programmes.

But that easy option is a fantasy of those who have not been in government and will hardly survive Mr Carter's first months in office.

The conclusion one is forced to reach, if one assumes that President Carter does not intend to back away from his budget promises, is that he is going to have to face the fact that ahead of him lies a bitter battle with the Congress.

Mr Ford's advisers argued that the 1979 and 1980 inflation rates they forecast could be achieved only through a significant increase in productivity produced by a higher rate of investment spending.

President Carter will be well aware that any additions to public spending and to the budget deficit, above the levels outlined by Mr Ford, may well raise inflationary expectations and make businesses more reluctant, or at least hesitant, to increase investment spending.

Mr Ford's programme involved inflation rate estimates of (consumer prices year over year) 5.1 per cent this year, 5.4 per cent in 1978, 5.6 per cent in 1979 and 4.6 per cent in 1980. Given the rate of economic growth projected, these inflation predictions for 1979 and 1980, in particular, appear optimistic.

President Carter will be well aware that any additions to public spending and to the budget deficit, above the levels outlined by Mr Ford, may well raise inflationary expectations and make businesses more reluctant, or at least hesitant, to increase investment spending.

With such a disparity, it is virtually impossible to escape the conclusion that United States airlines are more productive than those in Europe, although this is due to a number of factors such as the shorter operating day in Europe, better fuel economy, and lower fares.

These factors are higher payments for landing airliners (a TriStar costs £93 to land at an American airport and up to £246 at Heathrow, London), higher charges for fuel and oil, navigation charges (free in America) and the fact that European airlines have to fly over so many different frontiers, which inhibits their cost-cutting.

But probably the biggest disability which the Europeans have—and from which the Americans do not suffer—is a lack of flexibility in their manpower numbers and a virtual absence of any competition on their routes.

Unlike their transatlantic counterparts the European air-

Why Europe's airlines have much to learn from the US

The recent inquiry into European air fares is difficult to shed staff in bad economic times. At the time of the merger of BOAC and BEA, British Airways was generally accepted, but it was only through a ban on recruitment, early retirements and other normal wastage that the new joint airline could make even a start on getting its employee numbers down.

According to the most recent British Airways annual report, manpower at March 31, 1976, stood at 52,351, compared with 53,056 a year earlier.

Pooling of both departure times and route revenue is carried on between British Airways and many of the airlines in Europe. While this may help the public by spacing out flights instead of bunching them all in the peak periods, it also leads to a lack of incentive in the airlines to do better.

In the United States, where such arrangements would not be allowed under law, as many as three big airlines compete fiercely with one another on the busiest routes, resulting in streamlined service to the public, and slim, sharp companies.

A further disability which British Airways has compared with the American and even European airlines is, according to its executives at the CAA fares inquiry, lack of enthusiasm among British businessmen for getting up early to start their day.

The airline says that it has proved this point by scheduling services out of London to the Continent at about dawn, but it had to withdraw them because of poor patronage. The result is that European airlines, packed with zealous Euro-businessmen, and aided by the hour which they are ahead of us during the winter, arrive at Heathrow in time to turn round and load up with British businessmen at the prime morning time for trips into Europe.

British Airways has the choice of leaving with its first services of the day at the same time, or accepting with resignation a later, and less lucrative, departure time.

FINANCIAL NEWS AND MARKET REPORTS

Fuel shares coming in from the cold

Fuel company shares have been out in the cold for a considerable time, thanks to four consecutive mild winters. But with this year's return to more traditional arctic conditions the sector is finding new favour with stock market analysts and investors.

With the season just over, half completed much of brokers' current enthusiasm for the shares would seem to rest on the long-range weather forecasts, but there is no doubt that several companies have already seen significant benefits from cold conditions so far.

Brokers' views

Gleefully reporting that the last four months of 1976 were some 13 per cent colder than normal, Heseltine, Moss & Co, has come up with the whole host of what it calls *Shares for winter weather*. Pointing out that the companies in question are also benefiting from improved industrial demand and a 15 per cent coal price increase, the broker is looking for a big boost in the industry's profits this year.

Grieveson says that some shares are particularly interesting, combining low p/e's with above average yields quoting as its favourites among fuel handling companies, Charringtons, Hargreaves, and Powell Duffryn. It also recommends purchases of Carless, Capel & Leonard and AAB, while "hold/buy" recommendations

Martin and NSS again in top form

Two similar groups in the sector of multiple retail newsagents, confectioners and tobacconists sound a note of buoyancy in their annual reports. Martin the Newsagent pre-tax profit of £1.5m for 1976, and NSS Newsagents at £2.4m are both going well in the present term.

Martin has opened one new

site, bought 13 established

stores and disposed of four

since October. Arrangements

have been made for another 11

branches and further outlets

are being negotiated. Some £2m

is being spent, mostly in the

buying of established stores. In

the first 10 weeks, says Mr

B. H. S. Martin, chairman, sales

are up 17 per cent and the

Christmas season was good.

Benefits should also flow from

economies made last year.

Mr P. H. Byam-Cook, NSS

chairman, says the group is

reviewing the whole of its trad-

ing strategy with a view to im-

proving the sales mix by in-

creasing volume and value of

goods with better profit mar-

gins. Turnover in the first

10 weeks of the present term

was "buoyant". With many

price increases on the cards

early in the new year, further

growth should be achieved.

Jardine extends in ship broking

Matheson & Co, the United Kingdom wholly-owned subsidiary of Jardine Matheson Group, is forming a new company, Howe Matheson Tankers, to develop further its tanker bro-

king activities.

The group in London is al-

ready represented by three ship

broking companies who are all members of the Baltic Exchange and these are Howe Robinson, and Matheson (Chartering), who provide dry-cargo ship broking in conjunction with Matheson Chartering (Hong Kong), and Howe Matheson.

The latter two operate in the sale and purchase market across the whole commercial shipping sphere.

Demand upturn boosts Alcoa

The world's leading aluminum company, Aluminum Co of America, reports net profit of \$143.8m in 1976, or \$4.14 a share. This compares with the

\$78.0m, or \$1.85 a share.

Return on invested capital was 5.6 per cent in 1973 and 2.3 per cent in 1975. Return on shareholders' equity was 8.5 per cent in 1976 and 4.1 per cent in 1975.

Alcoa reported sales and operating revenues of \$2.300m in 1976, compared with \$2.300m. Income from operations was \$118.2m against \$54m.

Mr W. H. Krome, George, chairman, said that higher aluminum demand and some improvement in prices helped to increase Alcoa revenues and earnings, compared with the recession year of 1975. But the return on invested capital of 5 per cent in 1976 was "substantially below" the level required to modernise and expand facilities.

Profits were stated before adding £2,000, against £3,000, of extraordinary items.

Mr H. H. Vogel, chairman, says that the three months to December 31 saw higher sales and profits than a year earlier thanks mainly to increased exports. This business was obtained at "satisfactory prices". He thinks that the remaining three months of the year will show a similar pattern.

Profits for the whole of 1975-76 rose from £458,000 to

£557,000.

record. It rose 61 per cent above the same period on an 8 per cent increase in revenues.

Profit for all of 1976 was 50 per cent higher than in 1975, and set a peak for the fifth year running. Revenues for 1976 were 9 per cent higher.

In Europe, operations were also a record, and were a key factor in the overall results, says Mr Robert L. Stone, chairman.

World-wide profit in the fourth quarter was \$9.6m compared with \$5.5m. For the full year world-wide profit was \$42.2m against \$28.1m. Revenues were a record \$78.0m compared with the

Bumper year under way at Wstn Board

Another record year is shaping up at Western Board Mills. Pre-tax profits of the group, which makes mill and fibre boards from waste paper, went up 13 per cent in the six months to September 30 to £283,000 on turnover up from £967,000 to £1.1m.

Profits were stated before adding £2,000, against £3,000, of extraordinary items.

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Profits for the whole of 1975-76 rose from £458,000 to

£557,000.

Lonrho, Grand Met finals, Plessey qtr

Board meetings for this week include:

TODAY—Interims, Econa, Rivlin (ID & S), and Warren Plantation Holding, Finals, Bamfords and Derby Trust.

TOMORROW—Interims, Cowan de Groot, Hales Property, Kentro, Houchin, M. L. Holdings, and Scottish English & European Textiles, Finals, Abbey Panels, Ashdown Inv Trust, Capital & County Laundry, Leds Inv Trust, and Lincroft Kilgour.

WEDNESDAY—Interims, Austin (James) Steel Holdings, Fashion & General Inv, Macarthy's Pharmaceuticals, New Throgmorton Trust and York Trust, Finals, Alexander's Discount, Allied Manufacturing & Trading Inds, CGB Holdings, Fluidrive Eu-

gineering, Greenfield Inv, Henlys, Mears Bros Holdings, Lonrho, and Standard Trust.

THURSDAY—Interims, Allen (WG) & Sons (Tipton), Commercial Bank of Australia, Daegan Holdings, Fitch Lovell, Inchcape & Co, Man

ning Financial Trust, Midland Trust, Plessey (3rd quarter), Radley Fashions & Textiles, and Smith, David S (Holdings), Finals, Albion, Brooke Tool Eng (Holdings), British Sugar Corporation, Edinburgh American Assets Trust, Pleasurama, Saachi & Saachi-Compton, Smallshaw (R) (Knitwear), Throgmorton Trust and Watson & Philip.

FRIDAY—Interims, Amalgamated Distilled Products, and Brown (John) & Co, Finals, Allied Textile, Grand Metropolitan, Lookers, and Wagon Finance.

CompAir buoyancy tinged with caut

By Richard Allen

The reputation for earned by Mr Neil McDonald, chairman of CompAir, has not been impaired by the year's annual statement, which shows a 10 per cent increase in profit. The circumstances affecting markets "which are beyond our control".

Mr McDonald said he was equally satisfied with the forecast ahead of financial year. This is to be the best in it with pre-tax profits ahead at £29.4m and sales up to £112m.

Reviewing that period, it is clear that the Spanish subsidiary's excellent results in economies as well as American whose performance comfortably topped £100m, has been a steady increase in Iran operations. It is clear that a new factory will be built to produce portable compressors.

CANAL RANDOLPH I
Though net profit up quarter to end-October declined for full year against £10.4m, profit from £2.75m to £1.2m. Revenues from its Latin American subsidiary were up 10 per cent to £11.2m.

TEXACO BENEFITS
Higher revenues from prices for petroleum gave lift to profits in wide net profit up to \$88.9m and from \$51.2m a share.

STAUFFER CHEMICA
Company reports from Connecticut, record sales for 1976, up 10 per cent to \$110m. In fiscal year, profits were \$24.4m up 7 and 5 respectively.

BOSCH GIVES UP
Robert Bosch GmbH up efforts to acquire of Hamburg a stake in schmitz-Boelmon-Blohm. Negotiations started in bid to acquire half of the company, but now ended. —Reuter.

GEORGE DEW INTERN
Group has formed in Dubai to carry out engineering projects in the United Arab Emirates.

ALLIANCE INVESTMENT
A new three-year loan has been arranged with Guaranty Trust of New York.

PEERAGE OF IRISH
Company has bought a major wholesale of farm goods, for cash. Acquisition should strengthen company's position in United Kingdom.

ARTAGEN PROPERTIES
Board proposes early repayment of 6 per cent mortgage 1980-85 at £85 and £150 unsecured loan 2003-2008.

SPERRY RAND AHEAD
Net profit for third quarter to December 31 of \$36.7m, up 4.8 per cent, and earnings per share of \$1.05 against \$1.01. Net profit for nine months up 4.7 per cent to \$109.0m and earnings a share up from \$3 to \$3.13.

Weekly list of fixed interest stocks

	Latest Price	Prev week	Change	Yield
Alb & Wilson 7 1/2 Deb 1960	57 1/2	54	+3 1/2	5.5%
All Stars 7 1/2 Deb 1965	44 -	44	-	4.9%
Alt. Brw 6 1/2 Deb 1977	29 1/2	50 1/2	-20 1/2	6.5%
Am. Goods 5 1/2 Deb 1975	51	51	-	5.4%
Am. Elec 6 1/2 Deb 1976	19 1/2	16 1/2	+3 1/2	6.8%
Am. Ind 6 1/2 Deb 1976	55	55	-	6.4%
AP Current 7 Deb 1976	55	51	+4	5.5%
Do 6 1/2 Deb 1976	55	55	-	5.5%
BICC 7 1/2 Deb 1965	57 1/2	56 1/2	+1 1/2	6.6%
BOC 6 1/2 Deb 1976	57 1/2	56 1/2	+1 1/2	6.6%
Br. 9 1/2 Deb 1976	70 1/2	70 1/2	-	7.0%
Bank of Ireland 6 1/2 Deb 1976	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1976	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1977	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1978	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1979	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1980	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1981	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1982	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1983	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1984	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1985	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1986	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1987	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1988	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1989	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1990	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1991	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1992	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1993	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1994	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1995	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1996	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1997	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1998	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 1999	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 2000	52	52	-	5.9%
Barclays Br. 8 1/2 Deb 2001	52	52	-	5.9%
Barcl				

Stock Exchange Prices

Capitalization and week's change

ACCOUNT DAYS: Dealings Began, Jan 17. Dealings End, Jan 28. 5 Contango Day, Jan 31 Settlement Day, Feb 3

§. Forward bargains are permitted on two previous days.

(Current market price multiplied by the number of shares in issue for the stock quoted)



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1 Cor. 7: 26

1 Cor. 7